Table of Contents

Business Case Development Log

Timeline	Milestone Activities
01/15/2001	Business Case start date
01/15/2001 – 01/30/2001	Reviewed DMCS Inventory and Systems Interface
02/01/2001 – 02/28/2001	Drafted Business Case
03/01/2001	Draft reviewed by Brian Sullivan
03/01/2001 – 03/14/2001	Modified Business Case with comments received
03/13/2001	Reviewed by DMCS Business Case Team
03/14/2001	Reviewed by FFEL Retirement Lead
03/15/2001	Business Case was temporarily put on hold
04/15/2001	Business Case resumed
05/07/2001	Draft Reviewed by Brian Sullivan and Frank Miller
05/25/2001 – 06/10/2001	Draft Reviewed by Brian Sullivan, Adele Garbrielli, Shirley Wheeler and Adara Walton
06/11/2001 – 06/29/2001	Revised draft
06/30/2001 – 07/06/2001	Revised draft with feedback and comments (extended deliverable due date from 06/29 to 07/06 in order to integrate all comments and feedback)
07/06/2001	Deliverable Due Date

<div align="center">Business Case</div>

Project Name: **Debt Management and Collections System Replacement**
Channel: **Students**
Project Sponsor: **Jennifer Douglas**
Project Lead: **Sybil Phillips/Gary Hopkins/Brian Sullivan**

Project Description

This business case identified the need to replace a legacy system - Debt Management and Collections System (DMCS). In addition, this business case recommended technology solutions and implementation options.

DMCS is a major component of the FFEL System developed approximately 13 years ago. This mainframe based FFEL system is co-owned by the Financial Partners Channel and the Students Channel. Specifically, Collections, a Students Channel business operation has the ultimate operational ownership to DMCS.

Functionally, DMCS provides for the processing of outstanding financial aid debts from the time a debt is assigned to Department of Education until it is paid-in-full or otherwise satisfied. Technically, DMCS is part of the FFEL legacy system and maintained by Raytheon Systems Corporation. The current contract with Raytheon expires on September 30, 2001, with two additional six-month options and one three-month option. Strategically, the changing business requirements demand that the FFEL legacy system be retired or replaced with newer and better technologies. The imminent expiration of the current Raytheon contract enabled the management decision to analyze current situation and seek potential technological solutions to replace or retire all components of the FFEL system.

What is the purpose of the initiative?

Students Channel participated in FFEL System Retirement IPT and focused on the Students Channel components – DMCS. The objective of the Students Channel was to discern systems ownership, identify potential impacts from the retirement of the FP portions of the FFEL System and to prepare a business case for DMCS replacement.

This business case will be presented at the Investment Review Board. In addition, this business case is expected to provide foundation for a Share-in-Savings opportunity for SFA and the Modernization Partner resulting in SFA's net increase in collections and recovery as well as productivity enhancement through DMCS System replacement.

The Need for Change

Currently, Collections is challenged with:

- Intense pressure to maximize recovery rate while decreasing operational expenses and collection costs.
  - ➢ Increasing recovery rate from 10.45% in FY00 to 11.36% in FY01.
  - ➢ Reducing collection agency fee from 23% to 20% in the next two years.
- Growing defaulted loan portfolio.
- Managing collection agencies' performance and ensuring a performance-based environment.
- Improving Collections' productivity through lean, efficient and automated processes.
- Lacking of sophisticated decisioning strategy capabilities within the computer system.
- Imminent legacy system contract expiration date – September 2001.
- Projected legacy system contract extension not to exceed December 2002.

Likewise, Collections' partners are concerned with:

- Exchanging accurate and timely transactional, financial and skip tracing information in an automated fashion with Department of Education.
- Productive use of new technologies.

Description of the business problem to be addressed:

Congress established SFA in 1998 as a "performance based organization" (PBO) within Department of Education. SFA is in the midst of a modernization effort to transform the organization by adopting commercial practices for functions such as loan origination, servicing and collection. This business case seeks to analyze the current Collections business and systems situation, focus on strategic collections and recovery areas, and introduce suitable commercial practices.

Under the PBO statute, Collections has transformed itself from an internal collections department to a management organization managing 17 private collection agencies, and to whom Collections outsourced approximately 97% of its debts. Through establishing contracts with private collection agencies (PCA) and implementing performance based collections practices with the PCAs, Collections earned a reputation of being one of the most aggressive and successful collections organizations within the Federal government. In the quest to save money, boost efficiency and ensure an increase in recovery amount, Collections management has been continuously
searching for new and creative management strategies to help reach its overarching business goals.

The current DMCS system is a 13-year-old legacy system. DMCS has been patched and re-patched with years of changes in business requirements. The legacy system has become difficult to maintain, and it does not provide ad-hoc reporting tools to the management. More importantly, the rigidity of the system prevents and impedes the implementation of the management strategies and best practices. The need to update and replace the current system has become a high priority at Collections. The management in Collections is prepared to embrace new technologies enabling implementation of various collection strategies, to make a great leap forward in systems architecture and to anticipate change.

In addition, this initiative to replace the current DMCS applications with a robust, modern and flexible technology solution is in tandem with retirement of the overall FFEL System.

The new solution will support SFA in its mission to lower unit costs, increase employee satisfaction and increase customer satisfaction. The new technology will enable the speedy implementation of the collection strategies, reduction in manual and tape processing, automation in workflow, user-friendly applications and reporting capability, as well as the scalability in effective sharing of information with external and internal partners.

Overall, this initiative will enable Collections to capture the additional economic value of the defaulted loans, to enhance productivity, to accelerate the cash flow to the Federal government, and to reduce the Federal debt as well as potentially lower the cost of borrowing for students nationwide.

What is the start date and end date of the initiative?

Recommended start date: July 16, 2001
Projected end date: August 30, 2002
Project duration: 14 months

What is the scope of the initiative, including what it is not?

This initiative includes the customization of the recommended COTS package, testing, and implementation of the solution as well as data conversion/migration and user training.

The scope shall not include:

Actual maintenance and support of the new system

What other business areas/external groups are affected by the implementation of this initiative, and how are they affected?

Replacement of DMCS will impact all areas in Collections that use DMCS to support their business functions.
- The new system will have a different user interface.
- New business processes and workflows will be required with the new system.
- Training and skills update of the Collections and PCA staff will be critical to enable effective use of the new system.

This initiative impacts external entities outside of Collections who use the services of or provide information to DMCS subsystems. These include Guaranty Agencies, collection agencies, the IRS and other government agencies, schools and borrowers.

- Information provided to the external entities from DMCS will need to be provided by the new system
- The new system will need to accept information that is currently supplied by external entities.

The detailed DMCS interaction with internal and external business groups is captured in Appendix B.

What systems are impacted by the implementation of this initiative, and how are they impacted?

This initiative aims to replace all of the DMCS subsystems. Such an effort has implications for all systems that interact with DMCS.

The impacts are:
- DMCS currently interacts with the School and Lender system, Guaranty Agency system and Support System. It is assumed that these systems will be retired prior to the DMCS replacement and that the system interfaces between DMCS and these systems will be addressed by the FFEL Retirement initiative.
- External systems need to produce data files according to the new system's requirements.

The detailed DMCS interaction with external systems is captured in Appendix B.

What business processes are impacted by the implementation of this initiative, and how are they impacted?

Replacement of DMCS will impact virtually every business process that Collections engages in to support their business functions.

The impacts are:
- Re-engineered business processes and new workflows will be required with the new system.
- Training and skills update of the Collections and PCA staff will be critical to enable effective use of the new system.

Technologies Used

A number of collections software products are available in the current marketplace. This analysis focuses on several proven products implemented by credit card companies or non-collateral personal loan businesses that most resemble the student loan business. In addition, since Collections' core competencies are collections through Federal tools and PCA performance management, the focus was placed on capabilities in data transfer and management tools.

The following pre-screened collections and recovery software products are considered:

Number	Company Name	Product Name
1	American Management System (AMS)	➢ Computer Assisted Collection System (CACS Enterprise) ➢ Strata Enterprise
2	London Bridge	➢ Collection Manager ➢ Recovery Management System
3	Total Systems Services (TSYS)	➢ VU Point ➢ National Attorney Network (NAN) ➢ Teleskip
4	PaySys International	➢ Collection, Tracking and Analysis System (CTA)
5	Towne Services	➢ Collection Works
6	BillMartrix Inc.	➢ BillMatrix
7	BFrame Inc.	➢ BFrame 2000
8	Ontario Systems	➢ Flexible Automated Collection System (FACS)
9	Fair, Isaac & Company	➢ Triad Adaptive Control System

In addition, the following pre-screened decision support software products are also considered:

Number	Company Name	Product Name
1	Seisint (formerly known as eData)	➢ Accurint
2	HNC	➢ Capstone - Decision Manager ➢ Capstone - Model Manager ➢ Capstone - Strategy Manager

A high-level software gap analysis was conducted, and each COTS package was scored based on its capability vs. business requirements. The top three choices are:

- Recovery Management Systems by London Bridge
- Computer Assisted Collection Systems (CACS Enterprise) by American Management Systems
- Collection, Tracking and Analysis System (CTA) by PaySys International

Please note that AMS was initially reviewed because of its product features. However, a recent finding discovered that the Federal Retirement Thrift Investment Board filed a $350 million lawsuit against AMS in July 2001 for not delivering systems on time and on budget. It is recommended that AMS will not be further considered.

Recommended Solution(s)

The recommendation is that SFA take a staged approach by implementing quick-win solutions first. Subsequently, a long-term solution to replace DMCS should be carefully chosen based on in-depth analysis and detailed planning.

Stage 1: Implement tactical solutions to empower the management with decision-making tools.
Stage 2: Conduct in-depth analysis on the top choices of the COTS package, and select an implementation solution.
Stage 3: Implement long-term solution to replace DMCS.

Benefits

The benefits that DMCS replacement brings are:
- Enabling speedy implementation of collections strategies.
- Lowering operational cost through lean, efficient and automated processes.
- Generating cost savings primarily through reduced system maintenance costs.
- Improving system support in collection agencies' performance monitoring.
- Providing management with decision support tools and capabilities to:
  - Conduct portfolio management.
  - Translate customer information into effective collection strategies.
  - Focus on debt collection outsourcing and collection agency management.
- Improving the financial management and potentially accelerating the timing of the receipt of cash flow to the Federal government.
- Enhancing employee satisfaction through a user-friendly system, automated process environment and updated skill sets.

  Detailed benefits for internal and external groups as well as business processes are captured in Appendix E.

Overall, this initiative supports the goals and objectives of SFA:

- **Reduced Unit Cost**
  - Reduce Collection Agency Fee from 23% to 20% in the next two years.
  - Lower overall IT costs from rationalized applications and right-sized platform.
  - Increased collections through more timely use of shared information.
  - Long-term reduction in defaults from greater certainty of prosecution.

- **Customer Satisfaction**
  - Collector perceived as more in control and coordinated across multiple loan types.
  - Potentially to focus on rehabilitation to a group of pre-defined borrowers.
  - More frequent targeted transfer of accounts to collection agencies and credit bureaus.
  - Increased funds back to the Federal government and eventually benefit the taxpayers and future borrowers.

- **Employee Satisfaction**
  - Empowering management with flexible reporting, data modeling and predictive modeling tools.
  - Reducing manual work such as tape mounting, mailing and report distribution.
  - Providing employees with a user-friendly system.
  - Providing employees an opportunity to re-tool themselves and gain up-to-date skills.

Costs

Fiscal year 2000 costs for DMCS include production maintenance, systems development and Virtual Data Center (VDC) operations. The total systems cost was approximately $10 million (excluding Collections overhead costs). The detailed costs are recorded in Appendix H.

The recommended next-step to the SFA management is to perform an in-depth analysis on the top three COTS packages in the marketplace. Further analysis will determine implementation effort, schedule and costs.

Total Cost of Ownership

What is the level of required enhancement after implementation?

It is expected that as management strategies and customer expectations change, enhancements will be made to provide increased customer and employee satisfaction and further reduce unit costs to the most economically advantageous extent.

What is the life span of this initiative?

The recommended solution is a modern system, compatible with industry standards. The system is expected to span a ten-year period.

Alternatives

Discuss what could be done in place of this initiative and describe the consequences of each alternative.

Alternative	Consequence
Remain as-is	• SFA will have to renew and renegotiate any legacy contract that is against SFA's enterprise strategic planning.
Retain the existing system - eliminate unnecessary components	• SFA continues to maintain an expensive mainframe platform. Constraints of existing applications (manual processing, limited accessibility and reporting capabilities) continue to hinder more effective collections. • SFA will have to renew and renegotiate any legacy contract that is against SFA's enterprise strategic planning.
Enhance the existing system – provide end users reporting tools	• SFA continues to maintain an expensive mainframe platform. Constraints of existing applications (manual processing, limited accessibility and reporting capabilities) continue to hinder more effective collections. • SFA will have to renew and renegotiate any legacy contract that is against SFA's enterprise strategic planning.

Risks

The following outlines the primary risks associated with the implementation of the new debt management system.

Risk	Description of Risk	Mitigation Strategy
Financial	Underestimation of the implementation cost; Delay in receiving approval of deliverables and resolution of issues	Ensure contingency estimation and work closely with technology vendor to estimate true cost; Maintain close coordination between project team and the project sponsor
Technology	Glitches in transitioning the current system to the new technology	Project management needs to ensure detailed testing procedures and allocate contingency in the project plan
Scope	Under-estimation of the project scope; Not capture part of the enormous user community	Involve SFA staff early in the project; Communicate the changes to the user community early and throughout the project
Management	Lack of resources within SFA; Inadequate existing contractor support due to contract demise or realignment	Close interaction with the project sponsor and key decision makers; Assistance from SFA contracting officer to ensure existing contractor fulfill all contractual obligations in transition
Exposure	High risk exposure during implementation and transition phase due to the business and systems interaction with many outside entities	Strong project management to ensure quality planning, execution and communication to both internal and external entities involved

Acquisition Strategy

Sources (Indicate the prospective sources of supplies or services that can meet the need of this project. List the most likely offers for the requirement, and/or the manufacturer and model of the equipment that will most likely be offered).

Project task orders will be awarded to the Modernization Partner under SFA's existing Basic Purchasing Agreement with Accenture**.**

Competition (Describe how competition will be sought, promoted, and sustained throughout the course of the acquisition, including any performance requirements that will be required.)

The competitive procurement for this work has already been concluded, with the result being the award of the Modernization Partner BPA. The Modernization Partner is required to use competitive procedures, where appropriate, in selecting subcontractors.

Contract Considerations (For each contract contemplated, discuss contract type selection; use of multiyear contracting, options, or other special contracting methods, ex: performance-based).

Multiple contracts are not anticipated for this effort. Most task orders awarded to the Modernization Partner will be firm fixed price and performance based, including Share-in-Savings.

Schedule/Milestones (including acquisition cycle)

#	Milestone	Start Date	End Date
1	Detailed GAP Analysis	July 16, 2001	August 30, 2001
2	Final COTS Selection	September 1, 2001	October 30, 2001
3	COTS Customization and Development	November 1, 2001	February 30, 2002
4	Testing (unit test, integration test, parallel test, user test)	March 1, 2002	June 30, 2002
5	Data Migration and Systems Implementation	July 1, 2002	August 3, 2002
6	User training	June 1, 2002	August 30, 2002
7	System Maintenance and Support	September 1, 2002	-

The following time chart illustrates the sequence of DMCS replacement, relative to the overall FFEL retirement schedule.
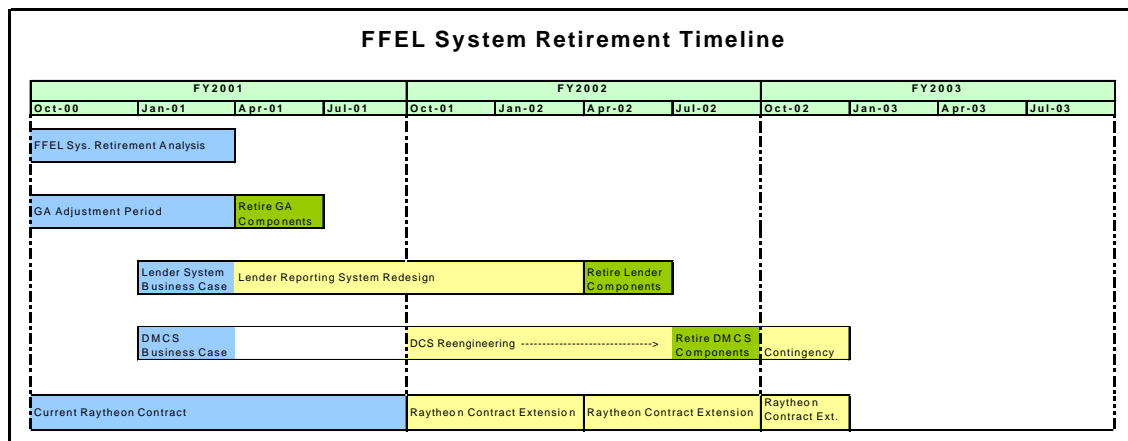
Appendix A – Collections Business Analysis

Collections Business Summary

Collections Mission

The Collections' mission is to provide quality customer service and sound credit management to maximize net revenue. Collections' primary customers are United States taxpayers and defaulted student loan borrowers.

Collections Business Context
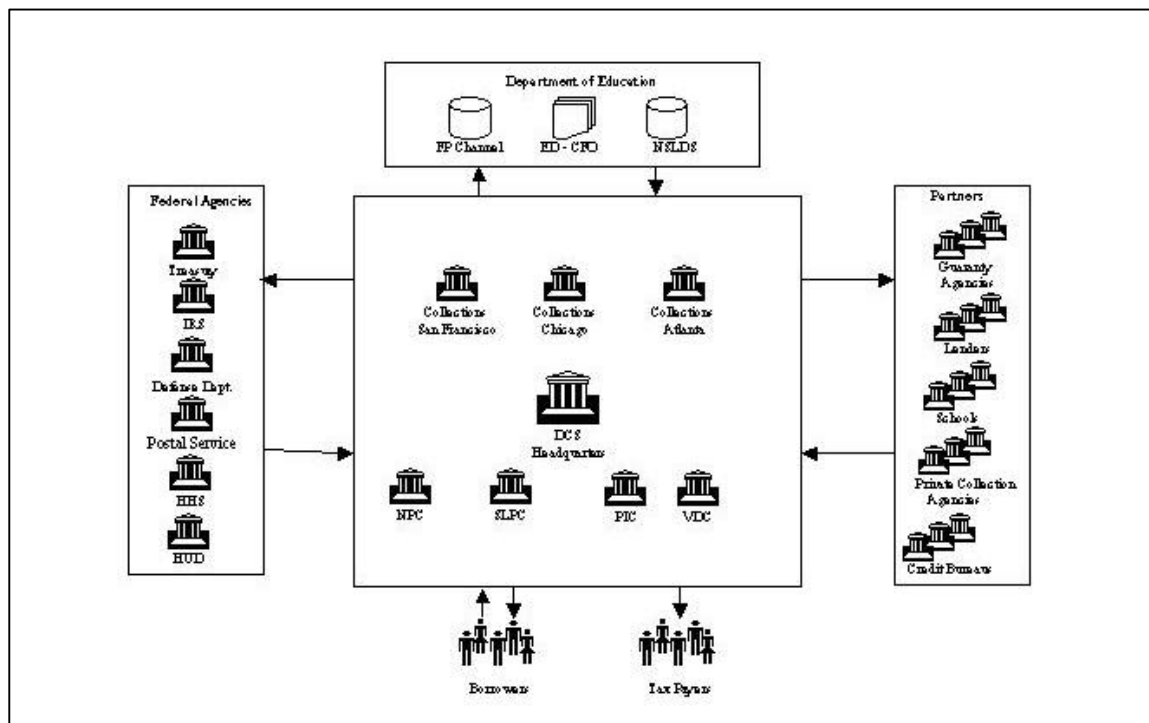
Business Achievements

- Collections is one of the most aggressive and exemplary collections groups within the Federal government.

- Collections established partnerships with private collection agencies. The first performance-based contract was signed in October 1997.

- Collections utilizes a diverse range of collection techniques: Federal collection tools such as Treasury Offset Program and Administrative Wage Garnishment, as well as, private partnerships with 17 collection agencies.

- Collections conducts skip tracing with various Federal agencies such as Department of Defense, U.S. Postal Service, IRS, Department of Housing and Urban Development and Department of Health and Human Services.

- As a result of outsourcing activities, Collections reduced its staffing from 1200 to just over 200 by 1997.

Collections Business Analysis

- Collections' defaulted loan portfolio is a non-performing asset.

  As of September 30, 2000, the defaulted loan portfolio comprised of $12.1 Billion in outstanding principal and interest. Total recovery amount was approximately $1.26 Billion resulting recovery rate of 10.45%. The projected recovery amount for FY01 is $1,375,000,000, and the projected recovery rate is 11.36%.

- Collections interacts with millions of borrowers nationwide.

  As of September 30, 2000, DMCS portfolio consisted of the following:
  - 6.6 million system accounts
  - 4.1 million defaulted borrowers
  - Detailed account breakdown by loan types:
    - 4.9 million defaulted FFEL Loans
    - 766,000 defaulted Perkins Loans
    - 603,000 defaulted Federal Direct Loans
    - 369,000 defaulted Federally Insured Student Loans
    - 43,000 Pell Grant and SEOG Overpayment

- Although the cohort default rate is decreasing on both FFEL and Direct Loan programs, the defaulted loan portfolio is growing due to the increasing numbers of loan origination and loan amounts in the recent years.
  - DMCS portfolio is growing despite of the recovery rate increase.
    - ED held accounts at FY 1996: $9.2 Billion
    - ED held accounts at FY 1997: $9.9 Billion
    - ED held accounts at FY 1998: $10.4 Billion
    - ED held accounts at FY 1999: $11.7 Billion
    - ED held accounts at FY 2000: $12.1 Billion

- Average loan principal and interest balance for all loan types is approximately $2000.

- The current DMCS portfolio consists of the following program types:

  - FFEL: Federal Family Education Loan. Implemented by legislation in 1965, formerly known as the Guaranteed Student Loan (GSL). Debts are assigned to the Department for default, or assumed in a variety of conditions in the event an agency ceases to participate or operate.

  - FDSL: Federal Direct Student Loan. Established in 1993, became effective during school year 1994. Debts are assigned to the DMCS for default.

  - NDSL: Federal Perkins Loan. Established in 1958 as the National Defense Student Loan Program. Perkins Loans are originated and serviced by schools. Schools assign certain defaulted Perkins Loans to Department of Education, however, Department of Education does not guarantee these loans. These are considered part of the campus-based program federal funds. Debts are assigned to the Department for default, or assumed for servicing in the event an institution ceases to participate or operation (Closed School debt).

  - FISL: Federally Insured Student Loan. FISL Loans are no longer issued. Debts are submitted with the Department for default, death, disability and bankruptcy.

> ➢ POVR: debts are submitted to the DMCS when it is determined that an overpayment has occurred on a PELL or SEOG.

- FFEL and FDSL have four components – Federal Subsidized Stafford Loan, Federal Unsubsidized Stafford Loan, Federal PLUS (Parental Loans for Undergraduate Students) Loans and Federal Consolidation Loans.

- Current defaulted loan portfolio consists mainly of the FFEL loans. However, the defaulted Federal Direct Loan is increasing since the program started entering program maturity since FY00.

Loan Types	Total Amount as of FY99	Total Amount as of FY00
FFEL Loans	$ 9.79 billion	$ 9.81 billion
FDSL Loans	$ 711.3 million	$ 1.2 billion
Perkins Loans	$ 646.2 million	$ 318 million
FISL Loans	$ 418.8 million	$ 356.4 million
Pell Grant and SEOG Overpayments	$ 6.12 million	$ 6.31 million

- Collection Results by Collection Types

Collection Types	Actual FY2000	Projected FY2001
Treasury Offset	$431,181,103	$484,200,000
FFEL and FDSL Consolidation	$387,476,504	$400,000,000
Collection Agencies	$293,731,827	$323,100,000
Others (DOJ Litigation, Federal Salary Offset)	$ 29,539,408	$26,700,000
Wage Garnishment	$110,041,014	$121,000,000
Loan Rehabilitation	$ 12,865,678	$ 20,000,000
Total	$1,264,835,534	$1,375,000,000

- Collection Tools, Usage and Results

Collection Methods	ED	Collection Agencies	Collection Result %
Treasury Offset	Yes	No	34.10%
FDSL Consolidation	Yes	Yes	30.64%
Regular	Yes	Yes	23.23%
Wage Garnishment	Yes	Yes	8.70%
FFEL Consolidations	Yes	Yes	2.80%
DOJ Litigation	Yes	No	2.01%
Loan Rehabilitation	Yes	Yes	1.01%
Federal Salary Offset	Yes	No	0.30%
All Methods	N/A	N/A	100%

- Alternative Approach: Collections conducts loan sales on rehabilitated student loans to Sallie Mae on a monthly basis at face value. During the year 2000, Collections sold approximately 6,711 rehabilitated loans to Sallie Mae for a total face value of $17.2 million. The loans were sold without recourse.

Collections Business Processes Summary

Core Business Processes

Collections engages in the following core business processes:

Core Business Process	Detailed Business Process
Load New Debts	➢ Process Federal Insured Student Loans from lenders ➢ Process National Direct Student Loans from schools ➢ Process Federal Direct Student Loans from Direct Loan Servicing System ➢ Process Guaranteed Student Loans from Guaranty Agencies ➢ Process Grants Overpayment from schools ➢ Receive loan portfolios including promissory notes in Student Loan Processing Center (SLPC)
Produce Letters	➢ Generate letters for all the debt types for each borrower ➢ Edit letter statement text if required ➢ Maintain a letter history
Process Billing	➢ Determine billing cycle for each new account ➢ Generate billing statement for all debt types for each borrower ➢ Generate perforated coupons used by the borrowers ➢ Print the billing statement via form-flash technology ➢ Remove account from billing cycle if delinquent on payment ➢ Edit billing statement text if necessary
Process Payments	➢ Receive payments from borrowers in National Payment Center (NPC) ➢ Deposit payments directly into the Federal Reserve Bank ➢ Process online and batch payments ➢ Post payments to appropriate accounts
Manage Accounting and Financial Reporting	➢ Calculate interest accrual on accounts ➢ Reverse transactions in case of bounced or misapplied payments ➢ Refund to overpayments or misdirected payments ➢ Apply administrative charges ➢ Apply penalty charges for bounced payments ➢ Pay commission fees to private collection agencies ➢ Pay Treasury for offset service ➢ Write off small debts with balance less than $25 ➢ Notify Treasury on written off accounts for unearned income records ➢ Write off accounts if borrowers are deceased matched by Social Security Administration Death Index ➢ Compromise accounts ➢ Adjust debt from online screens ➢ Adjust debt using batch jobs ➢ Month-end account processing ➢ Year-end account processing ➢ Notify Treasury of allowable interest deductions borrowers may claim ➢ Produce Closed School report ➢ Produce historical reports for Perkins loan ➢ Process Loan discharge
Monitor and Manage Collection Agencies	➢ Manage private collection agencies through performance based contracts ➢ Monitor private collection agencies' performance through management reports ➢ Assign defaulted and overpayment accounts to private collection agencies

Core Business Process	Detailed Business Process
	➢ Recall accounts to Department's regional offices due to special circumstances, such as litigation and age of the debt ➢ Receive returned accounts from private collection agencies ➢ Update Notepad information which contains collector's notes
Manage Collection Activities	➢ Review account balance, status and history ➢ Maintain a financial profile of a borrower ➢ Determine and update borrower, billing and re-payment information
Conduct Various Skip Tracing	➢ Skip trace with IRS on ED-owned defaulted accounts on a monthly basis ➢ Skip trace with IRS on behalf of Schools, Lenders and Guaranty Agencies ➢ Provide pre-claims assistance to lenders - skip trace with the U.S. Postal Service on behalf of lenders ➢ Skip trace with National Direct New Hire database for ED-owned accounts ➢ Skip trace with National Direct New Hire database on behalf of Guaranty Agencies
Report to Credit Bureau	➢ ED is mandated to report the borrowers' information to Credit Bureau after 60 days of notification. The information is updated on a monthly basis
Utilize Federal Collection Tools	➢ Perform Treasury Offset on ED-owned defaulted accounts on a weekly basis ➢ Perform Treasury Offset on behalf of Guaranty Agencies ➢ Conduct Administrative Wage Garnishment and process remittances from employers for garnished debt ➢ Conduct Federal Employee Salary Offset Program through Department of Defense and U.S. Postal Services ➢ Litigate through Department of Justice: obtain judgment that allows an attachment of any assets the borrower might have. Generally the attachment of wages, gets the borrower's attention, generates more money and inspires borrowers to pay the account quicker.
Enable Rehabilitation, Consolidation and Income Contingent Repayment Plan	➢ Determine borrowers' eligibility for rehabilitation, consolidation and income contingent repayment ➢ Inform the borrowers of their eligibility ➢ Sell the rehabilitated FFEL loans to Sallie Mae for loan servicing

Collections Operational Support Functions

Collections currently operates the following production sites to support the core business processes:

Production Site	Operation Details
National Payment Center (NPC) in Greenville, TX • Currently managed by Raytheon • Operates in secured environment • Conducts mostly manual processes • Follows detailed procedures • Quarterly internal audit is required	➢ Receive repayment remittances from student borrowers ➢ Maintain the receipt of borrower payment ➢ Collect payment from the post office – open mail, data entry and microfilm using proofing equipment ➢ Deposit payment directly into the Federal Reserve Bank ➢ Provide special handling for checks drawn on foreign banks and checks with special endorsements or instructions ➢ Research unidentified payments ➢ Forward correspondence received to Collections regional offices ➢ Provide copies of payments received upon request ➢ Process AWG forms
Student Loan Processing Center (SLPC) in Greenville, TX	➢ Provide pre-claims assistance for new address using Form 1249 ➢ Process Warning Letter using Form 1256-PC1

• Conducts mostly manual processes	➢ Process 48 Hour Notice using Form 1256-PC2 ➢ Printing, folding and inserting letters and billing statements, and delivery to postal service for mailing ➢ Maintain document warehouse ➢ Track status of documents ➢ Error research and resolution ➢ Microfilming, filing, photocopying, imaging and retrieving documents ➢ Prepare Form 553 for Perkins Loans associated with Closed Schools ➢ Review and record loan discharge forms (ability-to-benefit, closed school and false certification) ➢ Respond to written inquires ➢ New debts (GSL and FISL loan processing) ➢ IRS skip trace
Public Inquiry Contractor (PIC) in Iowa City, IA	➢ Handle customer calls ➢ Respond to correspondence and hearings ➢ Perform on-line account adjustments ➢ Interactive Voice Response Unit (IVRU)

Collections Branches and Their Responsibilities

Collections and the support activities are managed through three major branches and some individual branches. The three major branches are Loan Servicing Branch, Contract Services Branch, and Hearings Branch.

- Loan Servicing Branch (LSB): resolves disputes, adjusts loan balances, loan consolidation, loan rehabilitation service, credit reporting, and borrower credit counseling. Approximately 25% of Collections staff performs LSB functions.
- Systems and Contracts Branch (SCB): oversees vendor activities, provides technical assistance to the vendors, and ensure the vendors comply with the agreements. Approximately 20% of Collections staff performs SCS functions.
- Hearings Branch: ensures rights of due process are afforded to borrowers, especially before involuntary payment methods are employed. Approximately 34% of Collections staff is working on Hearings.
- Litigation Branch: responsible for oversight of the litigation process and interface with DOJ. Approximately 9% of Collections staff is involved with Litigation process.
- Collection Initiative Branch: ensures the employment of state-of-the-art collection techniques. Approximately 7% of the Collections staff is focused on the Collection Initiative.
- Wage Garnishment Branch: Approximately 5% of Collections staff is working on providing services to employers and maintaining relationships with employers.
- Program Management Branch: Oversight of entire program, collection policies, program and operating budget, ensure state-of-the-art collection system, systems support, interface with other agencies and manage all national issues.

Collections Regional Offices and Responsibilities

Regional offices focus on the major branch activities, and some specialty branches are unique to each of three regional locations.

Collections Regional Office	Responsibilities
Atlanta	➢ Loan Servicing Branch ➢ Systems and Contracts Branch - Collection Agency Contract ➢ Hearings Branch

	➢ Administrative Wage Garnishment Branch
San Francisco	➢ Loan Servicing Branch ➢ Systems and Contracts Branch - Oversight of the vendor that processes closed school, ability-to-benefit, false certification and bankruptcy discharges. ➢ Litigation Branch ➢ Hearings Branch
Chicago	➢ Loan Servicing Branch ➢ Systems and Contracts Branch - PIC, SLPC and NPC Contracts ➢ Hearings Branch ➢ Collection Initiative Branch – Oversight of Guaranty Agency
Washington D.C. Headquarters	➢ Program Management Branch ➢ Systems and Contracts Branch

Private Collection Agencies

SFA assigns approximately 97% of its debts to private collection agencies. The collection agencies receive fees based on the amount collected and the types of services rendered.

For existing contracts:

Flat Fees	Administrative Resolutions	$50 per account
	Litigation Preparation	$120 per account
Contingency Fees	Normal Collections (commissions)	23%
	Loan Consolidation	12%
	Loan Rehabilitation	12%

For new contracts:

Flat Fees	Administrative Resolutions	$100 per account
	Litigation Preparation	$60 per account
Contingency Fees	Normal Collections (commissions)	20%
	Direct Loan Consolidation	10%
	FFEL Loan Consolidation	12%
	Loan Rehabilitation	15%

With the following exceptions:
- Aman Collection Services – 22.9% Commission, FFELP/FDS 11.98%, FDSLP 11.90%
- Equifax Risk Management – 22% Commission, FFELP/FDS 11.50%, FDSLP/ICR 11.50%, Administrative Resolution $45 per account, Litigation $115 per account
- NAM, Inc – 21.85% Commission
- Allied Interstate – 19.9% Commission, FFELP/FDS 10.5%, FDSLP 12%

17 Existing Contracts:
- Aman Collection Services – won new contract
- Diversified Collection – won new contract
- Financial Asset Management – won new contract
- NCO Financial – won new contract
- Nationwide Credit – won new contract
- Pioneer Credit Recovery – won new contract
- Van Ru Credit Corporation – won new contract
- OSI Holdings – contract will expire
- Credit Bureau – contract will expire
- Equifax Risk Management – contract will expire
- NAM, Inc – contract will expire
- Education Credit – contract will expire
- Unger – contract will expire
- St. Hill – contract will expire
- GC Services – contract will expire
- Allied Interstate – contract will expire
- General Revenue – contract will expire

13 New Contracts – starting from September 2000:
- Aman Collection Services - retained
- Diversified Collection - retained
- Financial Asset Management - retained
- NCO Financial – retained
- Nationwide Credit - retained
- Pioneer Credit Recovery – retained
- Van Ru Credit Corporation - retained
- Maximus - new
- Recovery Bureau America - new
- USA Group - new
- Account Control Technology - new
- Progressive Financial Services - new
- National Asset Management - new

Trading Partners

DMCS shares information with the following entities:
- 7 Federal Agencies (Treasury, DOJ, HUD, HHS, U.S. Postal Service, SSA & DOD)
- 36 Guaranty Agencies
- 5000 Active Lenders
- 200 Servicers
- 17,000 Schools (NDSL)
- 3 National Credit Bureaus
- 17 Private Collection Agencies
- Various Department of Education offices/programs (NSLDS, CFO)

Appendix B – Collections System Analysis

Collections System Summary

Background

DMCS is a 20-year old mainframe system. Most of the DMCS functionality was developed in the past decade. During this time, Collections transformed itself from an internal collections department to a management organization managing 23 private collection agencies, to which Collections outsourced approximately 97% of its debts. The DMCS has been enhanced many times due to changes in business requirements. This legacy system has become difficult to maintain, and ad-hoc management reports have become increasingly difficult to produce.

Although DMCS is a legacy system, it is a mission-critical system and it carries out the major business functions of Collections. DMCS maintains account records, produces letters and bills, and provides information for collectors attempting to collect on the accounts. It functions as an accounting system which tracks interest accrual, adjusts account balances, records receipt of payments, assesses fees and charges, and produces management reports. Other activities supported include, but are not limited to: the assignment of accounts to private collection agencies, reporting debt statuses to credit bureaus, reporting to the Department of Justice for litigation, account matching with the Internal Revenue Service and Postal Service, and account matching and certification with the U.S. Treasury for offset of Federal income taxes and other payments due to the borrower. The system also interfaces with other government agencies to initiate salary offsets for borrowers who are Federal employees, as well as commercial businesses to initiate wage garnishment for borrowers who are no Federal employees.

Subsystems Mapping

Currently DMCS consists of 21 subsystems to support the core business processes:

- New Debt Management
  - New Debts Subsystem (D-NEW)
  - Federal Direct Student Loan Subsystem (D-DIR)

- Accounting and Financial Management
  - Accounting Subsystem (D-ACC)
  - Billing Subsystem (D-BIL)

- Debt Collections and Skip Tracing Management
  - Collections Subsystem (D-COL)
  - Administrative Wage Garnishment Subsystem (D-AWG)
  - IRS Skip Trace Subsystem (D-SKP)
  - Credit Bureau Reporting Subsystem (D-CBR)
  - Department of Justice Subsystem (D-DOJ)
  - Federal Employee Salary Offset Program Subsystem (D-FESOP)
  - Federal Treasury Offset Subsystem (D-IRS)
  - Income Contingent Repayment Subsystem (D-ICR)
  - Rehabilitation Subsystem (D-RHB)
  - Pre-Claims, Skip Tracing, Mailing Subsystem (D-PRE)

- Collection Agency Monitoring and Management
  - Collection Agency Reporting Subsystem (D-CAR)

- Communications Tools
  - Letters (D-LET)

- Management Reporting
  - ➢ Research Subsystem (D-RES)
  - ➢ Reporting and Control Subsystem (D-MGT)

- Maintenance Tools
  - ➢ Online Help Subsystem (D-HLP)
  - ➢ File Manipulation Subsystem (D-FLM)
  - ➢ File Maintenance Audit Subsystem (D-AUD)

In addition, there are also 2 subsystems in the Lender and Schools System, and 2 subsystems in the Support Services System that support the core business of the Collections business processes.

- New Debt Management
  - ➢ Claim Assignment (L-CLM)
  - ➢ Loan Assignment (N-CLM)

- Management Reporting
  - ➢ NSLDS Reporting (S-NSL)

- Maintenance Tools
  - ➢ Account Archival (S-ARC)

Application Inventory

DMCS runs on an IBM 9672 with a OS390 operating system. The subsystems were written in COBOL II using an IDMS (Network Database) database. EASYTRIEVE is used in a few areas.

Application Acronym	Number of Users	Language	Operating System	Age	Platform	Number of Programs	Number of Subsystems
DMCS	Approx. 4000 + PCA: 3600 Collections: 200 PIC: 200 Raytheon: 160 VDC (CSC): 130 ECMC: 100	COBOLII, Assembler, JCL, DML, DYL-Audit, CULLPRIT SAS	Operating System 390	13+ years	IBM 9672/R52	1800	21

Technology Inventory

System	Workstation	LAN	Storage Device	Processor	Image Processor
DMCS	IBM 3174 Terminals	Ethernet	DASD IBM 33XX equivalent, Tape IBM 34XX	IBM Mainframe 9672/R52	SUN Midrange SPARC 1000E

Data Location

System	Content	Location	Type	Platform	Size
DMCS	Outstanding Financial Aid debt	Meriden, CT	IDMS,	Mainframe	120GB

	data, Lender data, Image data, Payments Information		Informix		(current data) 300GB (historical data)

Platform Standards

Standard	Terminals	Network Servers	IBM9672/R52 Mainframe
User Interface		EDLAN 56KBs	TN3270
Operating System	Windows 95	NT, MVS	OS390
Communication Management	TCP/IP	Ethernet	TCP/IP, SNA
Database Management			IDMS, Informix
Transaction Monitor	CICS		TSO
Document Management	Corel Wordperfect		

Current System Analysis

The analysis of the current DMCS is based on three criteria defined below:

- **Technical Assessment**: This criterion measures the system's flexibility, maintainability, accessibility and scalability, as well as user friendliness in front-end design, data retrieval and management reporting.

  ➢ The current DMCS consists of 21 subsystems, 1800 COBOL programs, 1125 batch jobs, 105 online CICS screens running on an IBM mainframe with data stored in VSAM and IDMS, a network database. The 300 GB worth of historical data is stored on flat files or in GDG file format. Additionally, 40,000 cartridge tapes are used to store FFEL related information. Estimated size for these tapes is 2.5 terabytes. The lengthy history made the system a very complex one, and the complexity of the system makes it difficult to maintain.

  ➢ Out of the 1500 batch jobs in the FFEL production library, only 667 jobs ran during the course of a year according to a study conducted for Y2K. Some of the batch jobs execute more than one COBOL programs, but rarely more than three. Some COBOL programs are executed by more than one job.

  ➢ Some COBOL programs access data directly from IDMS database. Other programs use datasets generated by other programs as input. The interfaces and the interdependencies of these subsystems make DMCS a complex system.

  ➢ DMCS keeps a lender record consisting of 31,000 lenders. Only 5000 are marked as active lenders.

  ➢ DMCS keeps a school record consisting of 18,800 schools. Number of active schools is unknown.

  ➢ Access to DMCS is achieved mostly through terminal emulation software connected via ED LAN. Rollout of DMCS to new locations, such as a new private collection agency is time consuming and requires dedicated infrastructure.

  ➢ The current DMCS processes involve extensive transfer of information to and from 57 internal and external counterparts. Most file transfer is conducted through the use of magnetic tapes or disk files. Flat files and PC files are occasionally used. In summary, numerous data files transmitted to and from

Collections are in varieties of formats and layouts. The manual tape processing requires frequent human intervention and is therefore error-prone. It is also time consuming and inefficient.

➢ The current DMCS front-end screens are standard mainframe design. New users experience major learning curves compared to learning the more user-friendly GUI applications.

➢ Information retrieval is primarily conducted through paper reports. According to the systems documentation, over 725 paper reports are produced on certain schedules on regional printers, and then the reports are either mailed or hand delivered to their readers. Of 415 reports regularly produced by the system, only approximately 200 are in regular use, by an estimated audience of 40 persons. For ad-hoc reports, EASYTRIEVE programming resources are needed.

➢ DMCS subsystems have dependencies at both file and database levels. Over half of the subsystems expect files from other subsystems. Some subsystems interact with the database but are dependent on other subsystems to add/update the information in the database. These types of dependencies make DMCS a complex and difficult system to maintain.

➢ A specific program handles each type of input file from external entities. Each and every program is only responsible for one type of input file.

➢ Each subsystem handles the creation and sending of outgoing files. One program is responsible for only one type of output file.

➢ The current DMCS does not provide capabilities such as tools enabling the management team to conduct data mining and data analysis, portfolio management, and predictive modeling. In fact, the current DMCS limits the organization's ability to transform and adopt best practices quickly.

- **Strategic Assessment:** This assessment criterion measures the system's positioning in supporting the strategic objectives in the SFA system enterprise planning. Specifically, it measures how well the current system supports the target architecture.

  ➢ The current FFEL system's development and maintenance contract with Raytheon Systems Corporation on September 30, 2001, with 2 additional six-month options and 1 three-month option. SFA's vision is to replace legacy FFEL system and corresponding contract prior to the contract expiration period.

  ➢ The business functions Collections perform appear to be similar to Direct Loan Servicing. The following table matrix demonstrates the terminology similarities between regular loan and defaulted loan servicing. However, defaulted loan servicing is distinctively different from the Direct Loan Servicing in the several aspects:

    1. Collections manage the defaulted loans associated to all Federal student loans programs. The FFEL program requires Collections to interact with the Guaranty Agencies, and the Campus-based programs require Collections to track schools' status and activities.
    2. Collections outsource the collections activities to the professional collectors. Defaulted loans require special collection skills and techniques.
    3. Collections offer special repayment plans to the borrowers such as Income Contingent Repayment Plan. A defaulted loan can be rehabilitated and sold to the regular loan servicing market.
    4. Collections are authorized to utilize various Federal collection tools such as Treasury Offset and Federal Employee Salary Offset, Administrative wage garnishment, and litigation via Department of Justice.
    5. Collections write off certain loans.

Functions / Applications	Skip Trace and Collection (delinquent /default)	Billing, Repayment Plan and Processing	Letter communication with the borrower	Customer Service	Accounting and Financial Management	Program Monitoring
DMCS	X	X	X	X	X	X
Direct Loan Servicing System	X	X	X	X	X	X
Direct Loan Origination System				X	X	X
Loan Consolidation System		X	X	X	X	X

Note: Any individual current system performs a given function if the corresponding matrix element contains an "X".

- **Technology Evolution:** This assessment criterion measures the system's capability in taking advantage in the advances of the information technology.

  Minimum efforts have been made to reengineer DMCS. The most recent effort was to conduct some preliminary prototyping with client/server and relational databases. The plan was to use INFORMIX as the database management system and C++ as the development language to offload the processing load from the mainframe. The goal was to provide supplemental support to users through the strengths of a relational database for ad-hoc queries.

  Enabling technologies in the current marketplace provide more robust, flexible and expandable solutions for debt management and collection:
  - ➢ Client/server and web access – to provide user-friendly, flexible access to applications anywhere
  - ➢ Middleware products – to allow automated and flexible data transfer between applications
  - ➢ Data warehouse – to provide access to aggregated data and ability to analyze the information
  - ➢ Robust debt collection applications – to handle large volume transaction based debt collection and management
  - ➢ Data modeling and simulation tools – to enable portfolio analysis and create predictive modeling using existing data

System Analysis Summary

In summary, the current system analysis illustrates that DMCS operates in a monolithic environment and provides little flexibility and user-friendliness to the SFA user community. Strategically, DMCS is not in an effective position to support SFA's enterprise planning. The current technology evolution and advancement present many opportunities and options for DMCS replacement.

Appendix C-DMCS Subsystems Overview

FFEL Systems Functional Overview

DMCS is one of the four major components of FFEL System. The Financial Partners Channel directs the jobs run in the production schedule associated with the GA System and the Lender System. The Students Channel directs the jobs run in the production schedule associated with the DMCS. The Support System has jobs and programs whose functions affect all the major FFEL Systems. Therefore, both channels share responsibilities. As SFA looks to retire FFEL, functionality to support the respective areas will be transferred to new target environments as illustrated below.
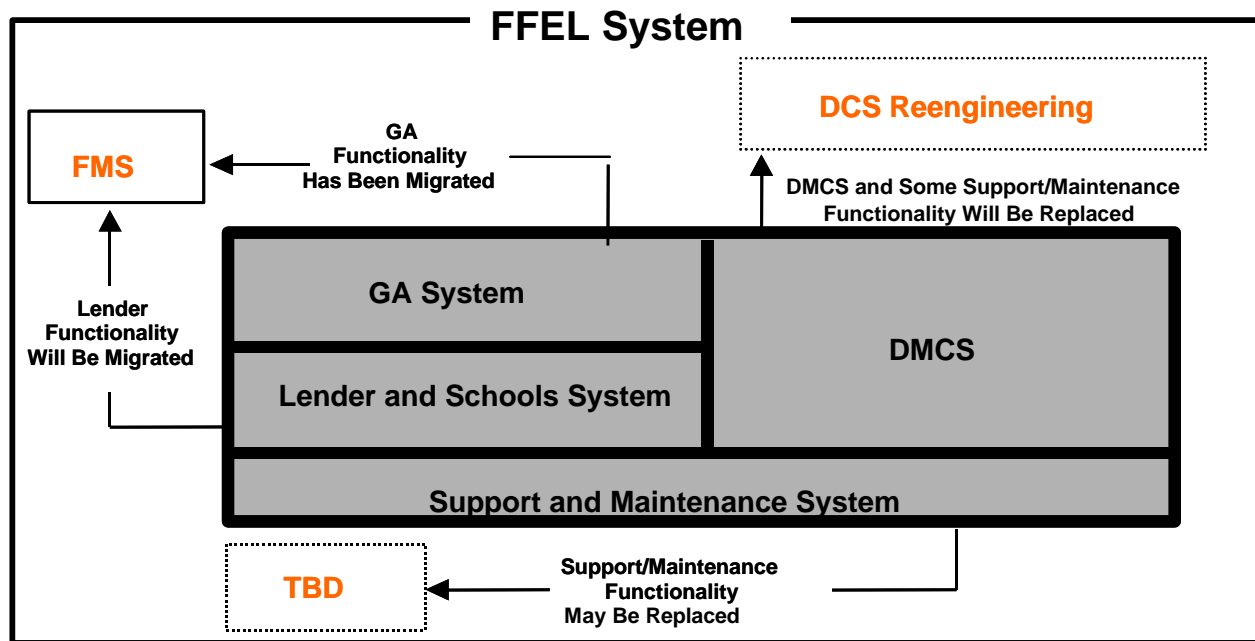
Illustration: FFEL System

The following is a summary description of the FFEL functionality by major subsystems.

- GA System - processed the GA requests and provided quarterly reports of activity Lender System - processes Federal claims, and interest payments, and provides insurance billing and collection procedure for lenders.
- Support System - comprises all the support and maintenance programs and activities. The system is also used to provide quality control, archiving of information, and management reports. The 13 major subsystems are listed in Table below:

Support System (Major Subsystems)	
• Archive and Restore (ARC)	• Credit Reform (CRM)
• Financial Information (FIS)	• Funding (FND)
• Invoicing (INV)	• Management Operations Report (MGT)
• NSLDS Interface (NSL)	• Production Scheduling Reports (PSR)
• Quality Control (QUA)	• Sub ledger (SBL)
• Utility (UTL)	• Warehouse Inventory Reporting (WIR)
• Warehouse Management Information (WHD)	

- <u>DMCS</u> - This is the largest component of FFEL, providing a vehicle for the storage, retrieval, and editing of borrower information. The Students Channel Collections area uses this information to collect defaulted accounts. Information may be collected as part of the student loan application, processing, collection, and disposition of the account. Of the 22 major subsystems within DMCS, 20 are active and 2 are inactive.

FFEL Systems Technical Overview

The FFEL System maintains Defaulted Debt Account, Billing, GA, Lender and Image and Payments Warehouse data in addition to Scholl information on a 120GB mainframe. The tools used to access the data are IDMS and Informix.

There are 3 major technical dimensions of the FFEL System that are identified to provide an understanding of the relative size each major system comprises. These dimensions are the lines of code, number of jobs and number of programs of each major system within FFEL. The FFEL System has a total of 1,022,882 Lines of Codes, 1,045 Batch Programs, 822 Jobs, 337 On-Line Programs, 703 Temporary Batch Jobs and 545 Temporary Batch Programs. The following figures illustrate that DMCS is the largest component of the FFEL System.

FFEL LINES OF CODE BY SUBSYSTEM

GA
347,383
(19%)

DMCS
771,981
(44%)

LENDER
366,598
(20%)

SUPPORT
308,856
(17%)

Legend: GA, LENDER, SUPPORT, DMCS
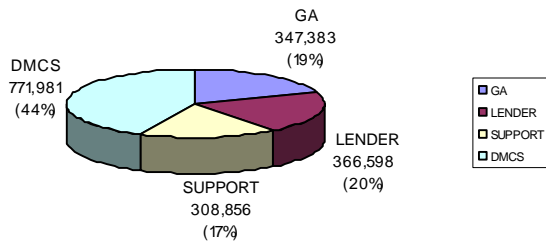
FFEL PROGRAMS BY SUBSYSTEM

GA
152
(15%)

LENDER
178
(17%)

DMCS
492
(47%)

SUPPORT
223
(21%)

Legend: GA, LENDER, SUPPORT, DMCS

FFEL JOBS BY SUBSYSTEM

GA
35
(4%)

LENDER
129
(16%)

SUPPORT
181
(22%)

DMCS
477
(58%)

Legend: GA, LENDER, SUPPORT, DMCS
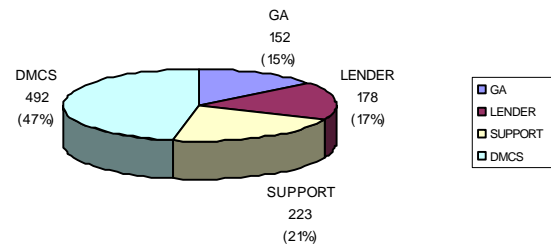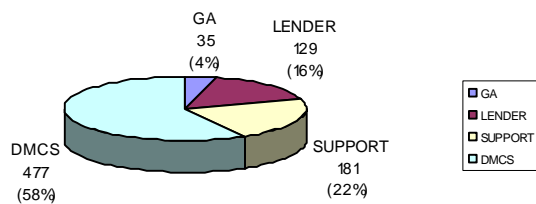
FFEL ON-LINE PROGRAMS (SCREENS) BY SUBSYSTEM

GA
68
(20%)

LENDER
71
(21%)

DMCS
131
(39%)

SUPPORT
67
(20%)

Legend: GA, LENDER, SUPPORT, DMCS
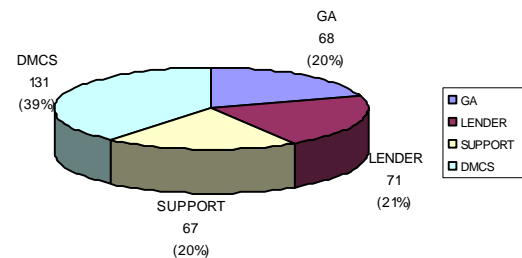
FFEL Cost Review

The Fiscal Year 2000 cost expended on the current FFEL contract was obtained from invoices which were grouped into four schedules: Schedule A, B, C, and E. These schedules contain costs attributable to the Financial Partners Channel and the Students Channel.

- Schedule A - represents costs related to manual processing of mail and performing data entry functions at the Student Loan Process Center in Greenville, TX. The costs associated with the Support System were allocated equally between the GA System and the Lender System.

- Schedule B - represents other direct costs related to the hardware, software, and supplies needed to conduct operations. These costs were also allocated proportionally between the GA System and the Lender System.

- Schedule C - represents costs for program development work by task order. Items that could not be identified as relating directly to the GA System or the Lender System were prorated equally between the systems.

- Schedule E - represents labor costs for key personnel used to maintain the system.

The Table below summarizes the annual costs for each Schedule, and for the Financial Partners and Students Channel.

	Financial Partners	Students	Total
Schedule A	$4,071,206.03	$4,884,908.81	$8,956,114.84
Schedule B	$63,677.68	$61,859.43	$125,537.11
Schedule C	$514,707.70	$2,615,432.30	$3,130,140.00
Schedule E	$2,858,228.80	$3,217,787.20	$6,076,016.00
TOTAL	**$7,507,820.20**	**$10,779,987.75**	**$18,287,807.95**

DMCS Subsystems Overview

Number	Acronym	Description	Existing System Documentation
1	ACC	Accounting Subsystem	4 binders
2	AWG	Administrative Wage Garnishment Subsystem	2 binders
3	BIL	Billing Subsystem	1 binder
4	CAR	Collection Agency Reporting Subsystem	3 binders
5	COL	Collections Subsystem	2 binders
6	CBR	Credit Bureau Reporting Subsystem	1 binder
7	FLM	Data Manipulation - File Maintenance Subsystem	2 binders
8	AUD	Data Manipulation - Audit Subsystem	1 binder
9	DOJ	Department of Justice Subsystem	De-activated
10	FESOP	Federal Employee Salary Offset Subsystem	2 binders
11	DIR	Federal Direct Student Loans Subsystem	1 binder
12	SKP	IRS Skip Trace Subsystem	1 binder
13	IRS	Federal Treasury Offset Subsystem	2 binders
14	LET	Letters Subsystem	1 binder
15	NEW	New Debts Subsystem	3 binders
16	PRE	Pre-Claims/Skip Tracing/Mailing Subsystem	1 binder
17	RHB	Rehabilitation Subsystem	1 binder
18	MGT	Reporting and Control Subsystem	2 binders
19	HLP	Online Help Subsystem	1 binder
20	RES	Research	1 binder
21	VRU	Interactive Voice Response Subsystem	De-activated

1. Accounting Subsystem - ACC

Overview
The Accounting Subsystem tracks, processes and records all the financial transactions that are processed in the Debt Management and Collection System. These transactions include: processing of payments submitted by borrowers and application to their accounts; accrual of interest on accounts; reversals of previously applied transactions in cases of "bounced" or misapplied payments; applications of administrative charges; fees paid as commissions to private collection agencies; penalty charges for bounced payments; and fees paid to Treasury for offset services; write-off; compromise and close-out transactions; special application of payments when directed to a specific loan or debt; audit adjustments; refunds of overpayments or misdirected payments; and all other financial transactions associated with collection functions.

The subsystem generates an annual tape of write-off transactions to the Internal Revenue Services for use in establishing unearned income records. Accounting transactions for all financial records are established for use in the Warehouse and Financial Information Subsystems. The subsystem includes both CICS and batch transactions.

Systems Functions

- Online and batch payment processing
- Transaction posting
- MIDAS processing
- On-line adjustment to debts
- Batch adjustment to debts
- Monthly interest accrual
- Month-end account processing
- Year-end account processing
- Audit adjustment report
- Remove eligible DOJ SF1081 suspense items from the suspense file
- SSA Death Tape Match Processing

Reports
The subsystem produces a large variety of reports, including a daily report of financial transactions processed the previous night, a report of unidentified transactions, and a number of collection management reports such as closeout reports, overpayment reports, etc.

Interfaces
The Accounting Subsystem interfaces with the Data Manipulation-Audit Subsystem, and Collection Agency Reporting Subsystem, the Federal Employee Salary Offset Program Subsystem, the Data Manipulation – File Maintenance Subsystem, the Department of Justice Subsystem, the Treasury Offset Subsystem, the New Debts Subsystem, the Federal Reserve Bank Subsystem, the Perkins Closed Schools Subsystem, the Utility Subsystem, the Warehouse Subsystem, and the Financial Information Subsystem.

External interfaces include the Internal Revenue Service and the Federal Reserve Bank.

2. Administrative Wage Garnishment Subsystem - AWG

Overview

The Administrative Wage Garnishment (AWG) Subsystem is a part of the DMCS. Data pertaining to borrowers and their employers is collected through the collection agencies and entered into the AWG database using the online screens. The data is subjected to various system edits and is rejected by AWG if certain edit criteria are not met. Once the data is on the database, letters are generated to notify the borrowers and employers of wage garnishment actions. The system also tracks the borrower's employment status and movement to new employment. It also maintains a history of status changes for garnished accounts and debts. The collection agencies are allowed to update the AWG database via an electronic transfer file. It also maintains the collection agency data to be synchronized with ED AWG data. The collection of funds is applied to appropriate accounts as they are tracked through the system.

Systems Functions

- Performs preliminary edits on the AWG data as it is entered into the system via the online screens
- Updates the account and debt records as being in AWG status
- Generates letters to notify borrowers and employers of garnishment actions
- Processes remittances from employers for garnished debt
- Tracks borrowers' employment status and movement to new employment
- Maintains history of status changes for garnished accounts and debts
- Maintains collection agency data to be synchronized with ED's AWG data
- Allows collection agencies to update AWG data via an electronic transfer file

Reports

GDAWG500A – Employer/Employee State Mach Data
GDAWG500B – Errors in Employer/Employee State Match Process
GDAWG540 – Error Report For Tape Date YYYYMMDD
GDAWG610 – Remittance Summary Extract Error Report by Employer
GDAWG620 – Remittance Summary Extract Error Report by Collection Agency
GDAWG700 – Employer Remittance Summary Report
GDAWG705 – Status Summary Report (Changes in past 7 days)
GDAWG710 – Remittance Summary Report by Employer
GDAWG720 – Remittance Summary Report by Collection Agency
GDAWG740 – Employer Non-compliance Report
GDAWG750 – Employment Confirmation Report
GDAWG760 – Missing (Over 37 days, less than 41 days) Voluntary Payments Report
GDAWG775 – AWG Employers Report

Interfaces

AWG interfaces with the collection agencies.

3. Billing Subsystem - BIL

Overview
The primary purpose of the Billing Subsystem is to automatically produce bills to the borrowers. The bills include perforated coupons used by the borrower in submitting his/her payment. Each coupon has an OCR scanning line at the bottom that is read by UNISYS equipment to identify the account number, the payment amount, and other pertinent information. The billing statements are produced on an IBM 9700 printer through form-flash technology.

The billing function generates billing statements for accounts loaded to DMCS. Accounts are scheduled to receive a bill through actions taken by collectors or receipt of payments. Accounts are automatically placed into one of four monthly billing cycles, based on the billing established for the account.

Systems Functions

• Selects account records from the DMCS database for the appropriate billing cycle
• Generates a single billing statement for all debt types for each student
• Removes student from a billing cycle if delinquent on payments
• Produces billing statement via form flash on the laser printer
• Produces Exception Billing Report
• Edits billing statement text
• Processes delinquent closed school debts

Reports
The subsystem generates several reports, including a billing exception report and a billing summary report.

GDBIL700 – Closed School Processing – Region XX New Debt Movement Activity
GDBIL801 – Debt Collection Receivables Billing Tape List
GDBIL802 – Billing Exception Report

Interfaces
The Billing Subsystem interfaces with the Collection Subsystem, the Perkins Closed Schools Subsystem, the Letter Subsystem, the Data Manipulation – Audit Subsystem, the Utility Subsystem, and the Quality Control Subsystem.

External interfaces include defaulted borrowers.

4. Collection Agency Reporting Subsystem - CAR

Overview

The Collection Agency Reporting Subsystem is designed to select and transfer default accounts to private collection agencies, monitor and report on those accounts at the collection agencies, and recall accounts to the regional offices from the collection agencies.

The subsystem examines the DMCS database in order to define the universe of accounts eligible for transfer to collection agencies. Eligibility for collection agency transfer is determined by selection criteria parameters provided by management personnel. The subsystem produces a report that is reviewed to determine if the parameters should be modified. After the parameters are approved and entered into the subsystem, an extract file of selected accounts is created. These accounts are assigned to the collection agencies through a series of edits entered through control cards.

Accounts can be recalled from collection agencies to regional portfolios as a result of the age and repayment status of the accounts or under special conditions, such as litigation. The recall of accounts is accomplished through batch processing of multiple accounts based on control card-driven edits. The recall process applies to individual accounts, and is accomplished through CICS entry of data.

Systems Functions

- Account transfer
- Fee reporting
- Account adjustment
- Account recall
- Account return
- Account billing update
- Notepad update
- Account update
- Letter request update
- Address extract
- Financial transaction extract
- Monthly inventory extract
- Weekly collection agency electronic file transfer report
- Collection agency upload reporting
- Account transfer database update
- Letter history reversal
- Connect to index – an online request process that connects collection agency return records to the return index
- Administrative Wage Garnishment (AWG) Extract
- AWG Update

Reports

The subsystem produces a variety of reports, providing management and operational information regarding the collection agency activities.

Interfaces

The Collection Agency Reporting Subsystem interfaces with the Letter Subsystem, the Data Manipulation – File Maintenance Subsystem, the New Debts Subsystem, and the Utility Subsystem.

External interfaces include private collection agencies.

5. Collections Subsystem - COL

Overview
A series of on-line screens are available to collectors and researchers that display data for use in communicating with borrowers and updating collection activity on accounts. Functions include: the ability to retrieve account-level information for a specific borrower and the composition of debt types included in that account; the ability to create or review collection notes; the ability to enter or update account billing information, name, address, and telephone numbers; the ability to review a borrower's financial profile and calculate a reasonable monthly payment amount; the ability to generate individual letters or stop a series of letters; the ability to review a history of correspondence with the borrower; the ability to retrieve the status of an account; the ability to examine the audit trail of events regarding activity on an account; the ability to review specific balances and other pertinent information at the debt/loan level; the ability to search the database for specific accounts by alpha name matches for entire names or some portion thereof; the ability to review account information on accounts archived (removed from the database) and an option to request the restoration of specific archived accounts identified by user.

Systems Functions

With the Collections Subsystem screens, a user may:
- Determine account balance
- Determine repayment status
- Determine TOP, DOJ, and Federal employee status
- View the notepad history on an account
- Create new notepad records
- View the letter history on an account
- Send letters to a defaulter or a defaulter's reference
- View the audit history on an account
- Start or stop billing
- Start or stop credit bureau reporting
- Maintain a financial profile on a borrower
- Request a report for user selected account/debt information
- Make an online Rehabilitation/Consolidation Status Determination – The user can determine a borrower's status, mark the borrower as having requested rehabilitation or consolidation, mark certain debts as being eligible for consolidation, determine the balance of the debts as of a future date, and allow a defaulted borrower to consolidate or rehabilitate loans even without having been picked up by the batch program.
- Determine Closed School Discharge status

Reports

GDCOL701 – File Folder Labels
GDCOL720 – Online Query Report
GDCOL751 – FESOP/DOJ/AWG Discharge List
GDCOL753 – Closed School Discharge Daily Tracking Report

Interfaces
The Collections Subsystem interfaces with the Billing Subsystem, the Letter Subsystem, the Collection Agency Reporting Subsystem, the Credit Bureau Reporting Subsystem, the Federal Employee Salary Offset Program Subsystem, the School and Lender Subsystem, the Help Subsystem, the IRS Subsystem, and the Online Work Schedule Subsystem.

There are no external interfaces to this subsystem.

6. Credit Bureau Reporting Subsystem - CBR

Overview
Department of Education is legislatively mandated to report borrower accounts to a national credit bureau. Accounts are eligible for credit bureau reporting after the borrower has been notified of Department of Education's intent to report his/her account to a credit bureau if he/she has not made a payment or formally disputed the debt within 60 days of the notification. Accounts may be excluded from this process based on parameters established by Department of Education. After the borrower's account has been reported to the credit bureaus, the information must be updated monthly.

Systems Functions

- Selects eligible accounts via selection parameters; LTRHST-REC is looked-up to determine if a 60-day notice has been sent to the account.
- Deletes accounts that have been erroneously referred to the credit bureaus and stimulates the generation of deletion letters. The Letters Subsystem will accomplish the actual generation of these deletion letters.
- Produces a monthly tape of delinquent accounts to be sent to credit bureaus for collection.
- Creates a database history file for all accounts that have been referred to the credit bureaus.

Reports

GDCBR500 – Credit Bureau Referral Summary Report
GDCBR500 - Credit Bureau Referral Parameter Report
GDCBR500 – Credit Bureau Referral Process Error Report
GDCBR505 – Credit Bureau Tape Process Error Report
GDCBR510 – Credit Bureau Deletion Summary Report
GDCBR510 – Credit Bureau Delete Parameter Report
GDCBR510 – Credit Bureau Delete Process Error Report

Interfaces
The Credit Bureau Reporting Subsystem interfaces with the Letter Subsystem, The Collections Subsystem, and the Utility Subsystem.

External interfaces include credit bureaus.

7. Data Manipulation – File Maintenance Subsystem - FLM

Overview

This subsystem ensures the integrity of the DMCS non-financial data by providing the capability to keep account records current and maintain an accurate and reliable database. CICS screens allow update of account demographic information as well as corrections of selected erroneous loans or claim data. Erroneous Social Security Numbers can be changed, and multiple accounts belonging to the same individual (or co-maker) can be merged. An audit trail function is included in the subsystem to document the changes. A record is kept of both old and new information and the source and date of each change. The online system allows real time update to accounts on the database on the following 3 levels: Account level, Debt level, and Program level.

Systems Functions

- Online account maintenance activity function.
- A main menu screen processes a user's function selection using the account maintenance main menu screen.
- The user will have the ability to consolidate accounts, move debts from an old/sending SSN to a new/receiving SSN. This will hold true for co-makers debts.
- The user will have the ability to redistribute ownership of accounts, transfer accounts from an old/sending owner-id to a new/receiving owner-id.
- The user will be allowed to update program history information (claim reason, default date, approval date, region, etc.) using the program history screen.
- The user will have the ability to change account maintenance information on three different levels: Account level, program level and debt level.
- The Audit Trail Function will allow the system to keep track of what information was changed. There will be a record stored of the old information and new information as well as when and by whom changes were made.
- The user will be allowed to display current values related to program specific data for FISL, GSL, NDSL, FDSL, and POVR. These values may be changed and updates made to the database.
- The ECMC transfer function selects accounts for transfer; writes off balances; creates an audit record; produces a transfer tape; and writes reports that allow the retrieval and forwarding of physical files.
- The ECMC refund function takes payments received after an account was transferred to ECMC, removed them from suspense, and creates a transfer payment to ECMC of the payment amount. Any irregular transaction is given a suspense reason of '42' to flag it for manual attention.
- The Closed School Discharge area of the database may be updated and a Closed School List produced.
- The Closed School Master File is maintained.
- Archive restore requests will be processed for archived accounts that meet the closed school discharge criteria.
- The FESOP/DOJ/AWG Discharge List will be produced for accounts on the DMCS database that are in the Federal Employee Salary Offset Program, at Department of Justice, or subject to Administrative Wage Garnishment that meet the criteria for closed school discharge review.

 Reports

GDFLM506 – GSL Closed School File Listing
GDFLM701 – Tape Manifest Report
GDFLM901 – Preliminary Database Evaluation Report
GDFLM902 – Actual Database Modification Report

Interfaces

The Data Manipulation – File Maintenance Subsystem interfaces with the Collection Agency Reporting Subsystem, The Data Manipulation – Audit Subsystem, the Accounting Subsystem, and the Utility Subsystem.

8. Data Manipulation – Audit Subsystem - AUD

Overview
The purpose of the Data Manipulation – Audit Subsystem is to track specified online and batch changes to the database to retain the "before and after" images and the user/batch program which requested the change.

The subsystem stores changes made to specific data fields for display purposes to track these changes and identify the individual user or batch program that performed the data change.

Systems Functions

DMCS screens create Audit records whenever a user update a database record. The Audit Subsystem generates a detailed report of the database updates.

Reports

GSLAUD01 – Examines DMCS database and produces Audit Report
GDAUD715 – Daily Audit Summary Report
GDAUD715 – Daily Audit Transaction Report

Interfaces
No interface is identified.

9. Department of Justice Subsystem - DOJ

Overview
The Department of Justice (DOJ) Subsystem refers accounts to DOJ for litigation, by preparing, through online CICS screens, formatted Claims Collections Litigation Reports (CCLRs) and Certificates of Indebtedness (COIs). Formal packages are prepared by regional staff as official cases to Department of Justice and their contracted attorneys.

For all accounts that have had the necessary information entered via online CICS data entry screens and approved by Department of Education personnel, weekly print jobs are run which print the formatted CCLR and COI. These forms are sent to the appropriate regional office for signature.

Systems Functions
This subsystem has been de-activated.

Reports
A number of management and operational reports are generated on a regular schedule which advise Department of Education personnel of the volume of accounts being handled by DOJ and the relative success of DOJ's efforts and which provide detailed listings identifying specific accounts on which follow-up is required.

Interfaces
The Department of Justice Subsystem interfaces with the Accounting Subsystem, the Data Manipulation – Audit Subsystem, the Letters Subsystem, the School and Lender Subsystem, and the Utility Subsystem.

External interfaces to this subsystem include Department of Justice.

10. Federal Employee Salary Offset Program Subsystem - FESOP

Overview

The Federal Employee Salary Offset Program Subsystem is designed to identify, track, and initiate salary offsets against persons who have defaulted students loans assigned to Department of Education and who are employed by or associated with agencies of the Federal government. Defaulted Federal employee accounts held by guarantee agencies are also identified.

On an annual basis, eligible accounts from the DMCS database are selected for comparison with files of nation-wide Federal employees generated by the Department of Defense, the U.S. Postal Service, the Legislative Branch, and the Office of Personnel Management. Defaulters are notified of the Department of Education's intent to perform salary offsets if appropriate repayment arrangements are not made. Applicable Federal agencies are then notified of employee accounts eligible for salary offset, and offsets are begun. Payments are received from each agency and posted to the accounts.

System Functions

- DMCS match tape generation
- DMCS DOD and Postal match tape process
- Name mismatch process
- Guaranty Agency match tape generation
- Guaranty Agency return tape process
- Notification process
- Certification process
- Accounting Interface process
- DOD and Postal account reject tape process
- Weekly status update
- Reporting process
- Split account reassignment

Reports

Management and operations reports are generated which, among other information, advise Department of Education personnel when accounts are paid-in-full or are overpaid, so that appropriate agencies can be advised to discontinue offset activity.

Interfaces

The Federal Employee Salary Offset Program Subsystem interfaces with the Accounting Subsystem, the Letter Subsystem, the Collections Subsystem, the GSL Federal Claims and Loan Assignment Subsystem, the NDSL Federal Claims and Loan Assignment Subsystem, the New Debts Subsystem, the Stafford and Plus/SLS Tape Dumps Subsystems, and the Utility Subsystem.

External interfaces to this subsystem include all other Federal agencies.

11. Federal Direct Student Loan Subsystem - DIR

Overview

The Federal Direct Student Loan Subsystem is a part of the Debt Management and Collections System (DMCS) in the Federal Family Education Loan Program (FFEL) processing environment. Data is received pertaining to defaulted direct loans electronically from the Direct Loan Servicing System (DLSS), and is edited/rejected if edit criteria are not met. If the data passes all edits, it is loaded to the DMCS database where it is used by other subsystems to collect government dues from defaulters.

System Functions

- Perform preliminary edits on the Direct Loan data to determine whether or not the data is acceptable for further processing. Those Electronic File Transfer (EFT) files that are unacceptable are rejected and removed from further processing.
- Load the Direct Loan data into temporary holding area of the database (FDSL-LOAN-AREA).
- Perform various system edits on the Direct Loan data received. Records in error are rejected and electronically transmitted back for resubmission, along with appropriate error codes generated.
- Name mismatch errors are researched and corrected by the Student Loan Processing Center (SLPC) personnel via CICS on-line screens.
- Load the Direct Loan data (debts) onto the DMCS database via the loan program GDDIR500 and program GDDIR510. GDNEW510 is called by the load programs for all debt program types to create ACCT-RECs, DEBT-RECs, ACCTDBT-RECs, LTRREQ-RECs, and other related database records for the borrower.
- Create a file of accepted Direct Loan debts to be passed to the Imaging System.
- Delete the FDSLDEBT-REC database records.

Reports

- Preliminary Verification Report
- Holding File Load Report
- Edit Error Report
- Detail Error Report
- Summary Error Report
- "Send To" Report
- "Received From" Report
- Load Database Report
- Imaging Error Report
- Transmission Report

Interfaces

This subsystem interfaces with the Direct Loan Servicing System via EFT.

12. IRS Skip Trace Subsystem – SKP

Overview
IRS Skip tracing is used by guaranty agencies participating the GSL Program and schools participating in the Perkins Loan Program to locate defaulted borrowers. Requests are received in the form of magnetic tape or hardcopy listings. Accounts eligible for IRS Skip tracing are also selected from the DMCS database and combined with the guarantee agency and Perkins requests for submission to IRS. A summary tape is generated monthly for matching with IRS address records and the returned data is posted to the DMCS database or returned to the guaranty agencies or schools via the same media used by the requestor.

The IRS Skip Trace generates skip trace records from the database on a monthly basis. This process is followed up with selected weekly update processes. The defaulters selected in this process are merged with records from other pre-claims loan services onto one tape, which is sent to IRS. The IRS attempts to match data using the Social Security number and the first four characters of the defaulter's last name with information on its master file. Two files are received back from the IRS, one of matches with addresses and the other, non-matches with only Social Security numbers. ED sends about 150,000 address requests on a tape each month including those requested by schools and other agencies. Addresses returned by the IRS are entered into the database or sent to the reporting service. There are also a variety of reports created in the Skip Trace System. The automation of the Skip Trace process is part of the IRS Tax System Modernization and is under prototype development at the IRS. The current ED system uses an obsolete record format internally with a front-end converter to change the format of the files received from the new format to the old, and change the old format to the new format prior to sending the tape. It should be noted that in order to coordinate with IRS, the IRS might require a different approach.

System Functions

- Select skip trace records from the DMCS database, merge selected records with like records from SLPC, and produce IRS Skip Trace Request Tape.
- Convert the IRS Skip Trace Request Tape from the old format to the new IRS required format.
- Update DMCS database with addresses received from the Internal Revenue Service.
- Generate match and non-match file for processing by SLPC from the IRS return tape containing records in response to external skip trace requests.
- Create an update tape for IRS input. This would occur after DMCS database address update, and this would delete duplicates.
- Convert the IRS Skip trace Return tape from the new IRS required format to the old format recognized by the IRS Skip Trace Subsystem.
- Create address reports by requestor number and statistical reports for the purpose of internal checks and balances.
- Create a weekly update process that will update the master validation and flags and accumulated files.
- Reset skip trace status indicators on a monthly basis to avoid duplicates.
- Create letter labels for letters to be sent to selected defaulters and a tape label.
- Create reports that cover duplicate social security numbers and creates IRS validation file reports.

Reports
GDSKP001 - Control Report of Extracted IRS Skip Trace Accounts
GDSKP002 - GUA Skip Trace IRS Address Report
GDSKP002 - GSL Skip Trace IRS Result Statistics Report
GDSKP310 - IRS Skip Trace Security Tracing – Flag Update
GDSKP500 - Final IRS Tape Error Report
GDSKP500 - Final IRS Tape Control Totals Report
GDSKP501 - Undeliverable Letter Load Process
GDSKP501 - Bar Load Error Report
GDSKP502 - Control Audit Report For IRS New Address Update

GDSKP503 - Update Transaction Report
GDSKP505 - Address Labels
GDSKP505 - Tape Labels
GDSKP700 - IRS-Dupe/Pseudo Report
GDSKP701 - IRS Weekly Validation Report
GDSKP702 - Procedure Accumulator Report
GDSKP702 - Initial Procedure Report
GDSKP702 - Procedure Report Rejections
GDSKP702 - Safeguard Activity Report

Interfaces
The IRS Skip trace Subsystem interfaces with the School and Lender Subsystem, the Utility Subsystem, and the Quality Control Subsystem.

External interfaces to this subsystem include schools, guarantee agencies, and the Internal Revenue Service.

13. Federal Treasury Offset Subsystem - IRS

<u>Overview</u>
This subsystem identifies defaulted accounts, which can be certified, via magnetic tape, to the U.S. Department of Treasury for inclusion in its Federal Treasury Offset Program (TOP). This program is designed for the Department to provide certified debts that the Treasury can collect via offset of the borrower's Federal income tax refund, and other Federal payments, thereby reducing the outstanding balance due to the Department.

The subsystem selects eligible accounts for the pre-offset process in order to obtain an address from the Treasury. This address is used strictly for the letter of intent.

The subsystem selects accounts, not currently certified, and edits them for eligibility for certification. All eligible borrowers are notified by letter of the intent to certify the account to Treasury. This letter affords them an opportunity to contest the debts or enter into repayment. The subsystem also selects accounts, that are currently certified, or eligibility for re-certification. However, if eligible, a new letter is sent to the borrower because of a new eligible debt. Then the account is treated as certification. Borrowers may, at that time, contact the Department to pay the account in full or to negotiate a repayment schedule. The latter action will prevent an account from being certified if it is done within the deadlines indicated in the letter of intent, but it will not prevent an account from being re-certified.

Data on eligible accounts are sent to Treasury to be matched against Federal funds owed to the borrower. Amounts that are offset by Treasury are reported to the Department, via magnetic tape, on a weekly basis as well as reversal information. This information is then posted to the database.

Updates to certified/re-certified accounts by the Department are reported to Treasury, via magnetic tape, on a weekly basis including in-activations, payments and other decreases, etc.

This subsystem also involves the receipt of data from guarantee agencies for inclusion of their eligible defaulted loans in the TOP process. Agency tapes are received at the Virtual Data Center from guaranty agencies for all of the foregoing processes (pre-offset, certification/re-certification, and weekly update processes). The data is merged with Department records for the pre-offset, certification, and weekly update process to Treasury. In addition, Treasury sends unprocessable tapes for all three processes. The Department updates its database for offset/reversal information and unprocessable records returned from Treasury. This information is then extracted and disseminated to the appropriate agencies.

<u>System Functions</u>
The Federal Treasury Offset Subsystem operates on a cycle of annual processes and performs the following functions:
- Produces extract tapes (pre-certification) containing information on defaulted borrowers selected from the DMCS database and merged with the like records submitted by GAs to be sent to Treasury.
- Receives a tape from Treasury containing accounts for which Treasury has matched the name and social security numbers of the borrowers on its master file and has supplied a current mailing address and no match records.
- Produces notification letters to certain borrowers on the pre-certification tape indicating that certification for offset is pending. The mailing is accomplished via requests fed to the Letters Subsystem. Should any letter request be rejected by the Letters Subsystem, IRSOFF-STATUS for this account is reset to reflect this rejection.
- Provides tapes of address records for GA accounts contained in the pre-certification tape to submitting GAs which they will use to notify borrowers that certification for offset is pending.
- Records undeliverable notices on the DMCS database flagging the account for exclusion from the certification process.
- Produces a second extract (annual certification), which is a merge between GA tapes and DMCS account data to be sent to Treasury. This time, only borrowers who have been sent notification of pending certification for offset and who still meet all other certification selection criteria, are included.

- Receives a tape from Treasury containing records that cannot be processed. All accounts not appearing on this tape are considered fully certified and subject to offset. For each account appearing on the returned tapes, an indication of reason for exclusion from the certification process is placed on the database. The tape records pertinent to GA accounts are returned to the submitting GA.
- Notifies Treasury of payment received, refunds, and adjustments to previous refunds on DMCAS accounts and GA accounts that are certified to Treasury. The payments that are reported to Treasury on a weekly update effectively reduce the offsetable balance. If payment reduces the certified balance below $25, the account will be removed from the offset process.
- Processes weekly collection tape containing data on amounts actually offset from borrowers' Federal payment/refunds as well as reversals of previous offset (e.g. injured spouse claims). These offsets and reversals are processed via the receivable subsystem on the DMCS accounts, and data from GA accounts are forwarded via tape to the appropriate GA.
- Provides Federal offset account look-up and removal on-line.
- Provides on-line maintenance of agency address and report.
- Produces tape of agency addresses.
- Produces Federal offset account extract file.
- Produces reports containing from both agency summary file and the Federal offset account extract file. The reports include information about edit results, records processed/unprocessed statistics, payments, refunds, agency activity and notices sent.

Interfaces

The Treasury Offset process is one through which Guarantee Agencies send tapes to the Department. After the magnetic tapes are received, they are computer edited, merged with defaulting borrowers from the DMCS database, and sent to the Treasury. The Treasury processes these records, creating offset in tax refunds. Invalid records are returned to the Department to be returned to the Guarantee Agencies.

The Treasury Offset Subsystem interfaces with the Collection Subsystem, the Accounting Subsystem, the Financial Information Subsystem, the Guarantee Agency Funds Subsystem, the Billing Subsystem, the Collection Agency Reporting Subsystem, the Letter Subsystem, the Management Operations Reports Subsystem, the Utility Subsystem and the Quality Control System.

External interfaces include the Department of the Treasury and guarantee agencies.

14. Letters Subsystem - LET

Overview

The Letters Subsystem within the Debt Management and Collection System (DMCS) Federal Family Education Loan Processing Environment automatically produces letters and associated reports for borrowers. The Federal Claims and Loan Assignments, subsystem of Lender and School System, must have previously established these accounts.

The Letters subsystem is a group of on-line and batch IDMS programs designed to automatically generate letters for all debts the borrowers have on the DMCS system. In the DMCS, various situations require the need to generate correspondence to borrowers (i.e., request for borrower information, request for repayment or payment of student loan). Letter text contained on letters is generated and maintained via the on-line Letter Text Maintenance screen.

Systems Functions

The Letters Subsystem performs the following functions:
• Selects accounts from the DMCS database and produces appropriate letters.
• Generate letters for all debt types for each student.
• Produces one, two, and three page coupon and non-coupon letters via flash on laser printer.
• Produces Exception Letters Report.
• Edits letter statement text.
• Produces a Letter Type Monitoring Report.
• Loads letter history to the DMCS database.
• Loads mass mailing history to the DMCS database.
• Loads billing history to the DMCS database.
• Updates the Daily Progress Report Master File with letter counts.

Reports

GDLET700 - Mass Mailing Summary Report
GDLET802 - Debt Collection Letters Tape List
GDLET803 - Letters Exception Report
GDLET804 - Letter Type Deletion Report
GDLET805 - Unformatted Letter Template Print
GDLET808 - Letter Type Monitor Report

15. New Debts Subsystem - NEW

Overview

Debts received through the New Debts Subsystem are those assigned to Department of Education by guarantee agencies. Data pertaining to these debts is received in the form of a file containing "core" and "program specific" data. Files may be received via magnetic tape or hardcopy. The core portion of each detailed record contains data that is common to all debt types, e.g., name, address, etc., while the program-specific portion contains data specific to a particular debt or debt type. The subsystem edits the data received, and produces error reports. If the number of errors exceeds a threshold level, the data is returned to the guarantee agency. If the data is accepted, it will be stored and loaded to the database.

In addition to the tape or hardcopy data, the defaulter files, including the promissory notes, are received by the SLPC and are received for completeness. Accepted files are mailed to the appropriate DCMDC regional office.

Overall, the four data sources are 1) Federal Claims Subsystem 2) the NDSL Loan Subsystem 3) state guaranty agencies and 4) program overpayments on grants.

Systems Functions

The New Debts Subsystem processes four types of data. Each is described separately.
- Federal Insured Student Loans – When a lender has been paid for a defaulted loan, the Federal Claims Subsystem passes data in the form of a flat file to the New Debts Subsystem.
- National Direct Student Loan – When the assignment from a school of a defaulted loan has been accepted, the NDSL Loans Subsystem passes data in the form of a flat file to the New Debts Subsystem.
- Guaranteed Student Loans - Data from guaranteed student loans is accepted either on tape or hard copy. Hard copy data is key-entered through a FALCON process and a disk dataset is created.
- Program Overpayments – When a school refers a program overpayment on a grant to Department of Education for collection, overpayment data is key-entered via CICS online screens and the overpayment is accepted or rejected on predetermined manual and system edit criteria.

Reports

GDNEW100 – FALCON Reformat Report
GDNEW300 – Preliminary Verification Report
GDMEW400 – Preliminary Verification Report
GDNEW498 – GA Non Assignment Tape Pre Edit Processing
GDNEW589 – Loaded Debts Report
GDNEW589 – Loaded Debts Summary
GDNEW589 – Listing of Warnings and Errors
GDNEW590 – Non-Assignment Record with Missing or Incorrect Data
GDNEW591 – Non-Assignment Request Denied
GDNEW598 – Denied Non-Assignment Records Denied Again
GDNEW700 – Detail Error Report
GDNEW710 – Summary Error Report
GDNEW711 – New Debts Receivable Report
GDNEW720 – Load Database Report Sample Report
GDNEW720 – Load Database Report (W/Messages)
GDNEW720 – Load Database Total Report W/O Messages
GDNEW721 – Load Database Report
GDNEW721 – Load Database Total Report Sample Report
GDNEW725 – Claims Reassigned Into Region due to New Approvals
GDNEW725 – Claims Reassigned to Another Region due to New Approvals

GDNEW730 – Duplicate Error Report
GDNEW740 – Holding File Load Report
GDNEW750 – Records Deleted Report
GDNEW760 – Edit Error Report
GDNEW770 – Records Not Accessed Report
GDNEW780 – Media Type Report
GDNEW780 – Tape Labels
GDNEW785 – Daily Posting Report
GDNEW790 – Debt Count by Amount Report
GDNEW790 – Debt Exception Report
GDNEW825 – Overdue Debt Assignment Report
GDNEW901 – Database Cleanup Report
GDNEW922 – Paying Accounts Report

Interfaces
The New Debts Subsystem interfaces with the Federal Claims and Loans Assignment Subsystem, NDSL Loans
Subsystem and Utility Subsystem.

External interfaces include guarantee agencies and schools.

16. Pre-Claims/Skip Tracing/Mailing Subsystem - PRE

Overview

This subsystem provides pre-claims assistance to GSL Lenders to aid in their collection of delinquent loans. Lenders submit data via magnetic tape, hardcopy printouts, or typed letters to the SLPC, which then mails pre-claims assistance letters to the delinquent borrowers. The text of the letters informs the borrowers that, if payment is not made to the lending institution, the delinquent loan will be turned over to Department of Education.

This subsystem also provides postal skip tracing on un-defaulted GSL loans. This is a process in which lending institutions submit requests for postal skip tracing via ED Forms 1249 and 1249-1. Postal skip trace letters or cards are generated and mailed by the SLPC. Lenders are informed of new addresses obtained from the U.S. Postal Service.

Mailing services provide for the handling and mailing of correspondence, forms, letters, and billing statements produced throughout the system.

Systems Functions

The Pre-Claims/Skip Tracing/Mailing Subsystem performs the following functions:
- Support tape, diskette, and hard copy requests for pre-claims processing
- Produces Warning and 48 Hour letters to be sent to delinquent student borrowers upon requests
- Keeps a monthly and year-to-date record of tape, diskette, hard copy and prepared letter requests
- Passes postal skip trace requests to the trace status file and write the postal initiation file
- Produces postmaster letters, relative postcards and lender notification letters
- Maintains the trace status, address, pre-claims VSAM, and postal transaction files
- Processes change of address information received from USPS

Reports

GDPRE300 – Skip Trace Request Error Report
GDPRE301 – PC/CC Address Update Transaction Error Report
GDPRE500 – 48 Hours Letter
GDPRE500 – Warning Letter
GDPRE500 – Pre-Claims Run Listing
GDPRE500 – Pre-Claims Error Listing
GDPRE501- List of Purged Cases Report
GDPRE503 – Monthly Pre-Claims Error Report
GDPRE511 – ACS Fulfillment File Validation
GDPRE511 – ACS Fulfillment File Validation
GDPRE701 – Postmaster Letter
GDPRE702 – Relative Postcard
GDPRE703 – Letter to Requestors Report
GDPRE703 – Letter to Requestors
GDPRE704 – Pre-Claims Statistical Report
GDPRE715 – ACS Errors/Statistics Report

Interfaces

The Pre-Claims/Skip Tracing/Mailing Subsystem interfaces with the Quality Control Subsystem and the Utility Subsystem.

External interfaces to this subsystem include schools, lenders, post offices and guarantee agencies.

17. Rehabilitation Subsystem - RHB

Overview

The Rehabilitation Subsystem tracks the eligibility of borrowers for loan consolidation and rehabilitation through the DMCS. It performs eligibility determination; tracks insufficient payments; requests letters to be sent to the borrowers informing them of their eligibility; and enables notification of the credit bureaus of debt status.

Systems Functions

- Initial Load – The initial, one-time load will scan the actively paying accounts for those who meet minimum balance and number of voluntary payment parameters. These accounts will be loaded into the database for the initial round of letters.
- Monthly Status Updating – The batch eligibility determination function tracks all borrowers making regular, voluntary payments.
- Monthly Eligibility Reporting – Eligible and dropout borrowers are reported on a monthly basis.
- Letter Requests – The letter request process takes the accounts found in the batch eligibility determination and stores letter requests that will inform the borrowers of their opportunities.

Reports

GDRHB701 – Rehabilitation Eligibility Report
GDRHB702 – Consolidation Eligibility Report
GDRHB703 – Rehabilitation/Consolidation Dropout Report
GDRHB704 – Rehabilitation/Consolidation Incomplete Payment Report

Interfaces
The Rehabilitation Subsystem interfaces with the Accounting Subsystem, Letters Subsystem and Utility Subsystem.

18. Reporting and Control Subsystem - MGT

Overview
This subsystem includes a wide array of accounting, account management, performance, and regulatory reporting requirements. Generally, data required to produce these reports resides on the database. Management reports are produced daily, weekly, monthly, quarterly or annually, and are automatically generated based on their required frequency. The programs in this subsystem sweep the database, capture appropriate data, perform required calculations, create storage files of calculated total, and format reports.

Systems Functions

- Performs weekly sweeps the DEBT-AREA, ACCOUNT-AREA, FISL-PRGM-AREA, GSL-PRGM-AREA, NDSL-PRGM-AREA, and FDSL-PRGM-AREA, and POVR-PRGM-AREA on the database. The resulting files are sorted by debt identification and merged into two files: the Debt Extract file and the Account Merge file.
- Performs weekly sweeps of the IRSOFF-Area, sorts the resulting file and the Account Merge file by account IAN key, and merges them into the Account Extract File. This sweep, sort and merge design for this and the above function are intended to minimize processing time by making the database operations sequential accesses.
- Creates the account extract reports
- Creates semimonthly account extract reports
- Creates monthly account extract reports
- Creates monthly debt extract reports
- Creates Monthly Payment Extract file from the PAYTRX-AREA and uses to produce reports
- Creates Quarterly Debt and Payment Extract – Credit Management (Schedule 9 Report)
- Creates files for downloading of data to a PC for further analysis

Reports
This subsystem produces scheduled production reports.
GDMGT350H000 – Executive Summary Report
GDMGT707 – Collection Activity Summary
GDMGT708 – Debt Collection Receivables Account Summary
GDMGT709 – Debt Collection Receivables aging Report
GDMGT710 – Receivables Aging Correlation Report
GDMGT711 – Source of Current Month's Payment
GDMGT712 – Potential Litigation Account Summary
GDMGT713 – Collection Statistics
GDMGT714 – Compromise and Write-off Report Summary
GDMGT715 – Reduction Transaction Detail Report
GDMGT716 – Collector Outstanding Action Report
GDMGT717 – Listing of Collection Accounts
GDMGT718 – Location Summary Report
GDMGT720 – Potential Litigation Account – Detail
GDMGT721 – Alpha Report of Location Codes
GDMGT722 – Collection Statistics – Regional
GDMGT724 – Debt Collection Receivables Portfolio Report
GDMGT725 – Collector Productivity Report
GDMGT726 – Collector Outstanding Action – Delinquency
GDMGT730 – Credit Management /Schedule 9 Report

Interfaces
The Reporting and Control Subsystem interfaces with the Utility Subsystem and the Quality Control System.

External interfaces include private collection agencies.

19. Online Help Subsystem - HLP

Overview
This subsystem consists of a series of screen programs which display tutorial information regarding the data elements or screens selected by users.

Systems Functions

- A screen level help provides information describing the overall function of an online screen
- A field level help provides information describing the particular fields on an online screen
- Allows editing help definitions. Data Administration will add, change or delete help definitions on the database

Reports

GDHLP300 – Help Subsystem Map/Element Cross Reference Edit Report
GDHLP301 – Help Subsystem Map/Element Cross Reference Load
GDHLP700 – Help Subsystem Map Element Location Information

Interfaces
The Research and Collection – Help Subsystem interfaces with all Debt Management and Collection Subsystems that contain screen programs.

There are no external interfaces to this subsystem.

20. Research Subsystem - RES

Overview

The Research Subsystem provides access to individual account and debt level information through online, menu-driven, query functions. The CICS screens included in this subsystem allow users to view past, current, and projected information such as which debts are owned, what payments and other financial transactions have been applied to accounts, how these financial transactions were applied, history of address updates, data related to the program history of specific debts, account payoff amount, and history of collection agency referrals.

Systems Functions

The Research Subsystem screens allow the user to research:
- Current status of the entire account
- Current status of individual debts
- Addresses associated with the account
- National Direct Student Loan (NDSL), Federally Insured Student Loan (FISL), Federal Direct Student Loan (FDSL), Program Overpayments (POVR), and Guaranteed Student Loans (GSL) program specific data entered into the system
- Credit bureau referral history

The Research Subsystem reports on changes to account owner information

Reports

GDRES700 – Weekly Pending Research Report
GDRES701 – Monthly Pending Research Report

Interfaces
The Research Subsystem interfaces only with the DMCS database.

There are no external interfaces to this subsystem.

Collections Business Production Support

National Payment Center (NPC) in Greenville, TX – Managed by Raytheon Systems Corporation
DMCS borrowers who enter into repayment agreements with regional staff or collection agencies are instructed to remit their repayments to the NPC.

The NPC maintains post office boxes for the receipt of borrower payments. The payments are collected from the post office, opened, edited, endorsed, entered to the database, and microfilmed using automated proofing equipment. The payments are then deposited, the same day, directly to the Federal Reserve Bank. Payment data is posted to borrower accounts during overnight batch processing.

In addition to regular payments, normally received as personal checks, the NPC provides special handling for processing of multiple payee checks, for SF 1081s (Voucher and Schedule of Withdrawals and Credits) received from other government agencies, for checks drawn on foreign banks, and for checks with special endorsements or instructions. The NPC is also responsible for research of unidentified payments, sending form letters to defaulted borrowers concerning their payments, transmitting any correspondence received to the regional offices, and providing copies of payments received upon request from Department of Education or collection agency personnel. NPC also processes AWG forms.

The NPC operates in a secured environment, following detailed procedures and strict quality controls. Quarterly internal audits of NPC activities are required.

Student Loan Processing Center (SLPC) in Greenville, TX – Managed by Raytheon Systems Corporation
The Student Loan Processing Center (SLPC) is responsible for the manual processes associated with the following functions:
1. Processing of ED Form 1249 (Request For Collection Assistance Under Federal Insured Student Loan Program) and form 1249-4 (New Address).
2. Processing of Pre-Claims Assistance submissions, including ED Form 1256-PC1 (Warning Letter) and Form 1256-PC2 (48 Hour Notice).
3. Processing of ED Form 553 (Perkins Loan Program Assignment Form).
4. Processing of New Debts (Assignment Form for Loans Guaranteed Under Title IV, Part B, HEA)
5. Processing of PS Form 3547 (untitled), which is either a postcard or a photocopy of an envelope showing a borrower's updated address.
6. Processing of IRS Safeguard Procedures and Activity Reports.
7. Processing discharges for closed schools, ability-to-benefit, false certification.
8. Processing Income Contingent Repayment Plan forms.
9. Imaging documents.
10. Mailing letters and bills.

These manual processes include such activities as: retrieving mail from the post office; logging receipt of documents; tracking the status of documents; data entry; loan/claim examination and error resolution and research; microfilming; photocopying; preparing correspondence; responding to telephonic and written inquires; filing; briefing auditors and other personnel; and related activities.

Customer Service Center (CSC) 1 800 435-7709 in Greenville, TX - Managed by Raytheon Systems Corporation

The Customer Service Center (CSC) receives, logs, and responds to inquiries or problems reported by system users. These problems or inquiries may relate to application software, procedures, system processing or hardware. For all problems reported which cannot be resolved immediately, the problem is assigned to the responsible contractor analyst for resolution and is recorded on the Program Log. The Problem Log is printed and distributed to management weekly.

The Center is also responsible for the issuance of bulletins to notify system users of changes in processing schedules or production programs.

Users also call the CSC with security-related questions and to initiate the paperwork required for accessing the system, or deleting the Ids of users no longer needing system access. The CSC also issues and updates security profiles which ensure that individual users may only access those functions for which they have a need.

Virtual Data Center (VDC) in Meriden, CT - Managed by CSC Computer Science Corp

Manage the data center operations.

Appendix D – Interface with Internal and External Entities

Current DMCS Interaction within Collections

Collections Business Area	Current Interaction with DMCS
Student Loan Processing Center (SLPC)	➢ Use IRS Skip Trace (D-SKP) for skip tracing ➢ Use Pre-Claims/Letters/Skip Tracing (D-PRE) to issue warning letters ➢ Use Research (D-RES) for error research and resolution
National Payments Center (NPC)	➢ Use Billing (D-BIL) and Accounting (D-ACC) to process and track payments
Loan Servicing Branch	➢ Use Accounting (D-ACC) to track and adjust loan balances ➢ Use Letters (D-LET) to send letters to borrowers ➢ Use Collections (D-COL), Research (D-RES) and Rehabilitation (D-RHB) to support borrower credit counseling ➢ Use Credit Bureau Reporting (D-CBR) to report to credit bureaus
Contract Services	➢ Use Collections (D-COL) and Collections Agencies Reporting (D-CAR) to assist and monitor collections agencies and vendor performance ➢ Use Reporting and Control (D-MGT) for management information
Hearings Branch	➢ Use Accounting (D-ACC), Collections (D-COL) Research (D-RES) to access borrower information to support hearings process
Litigation Service	➢ Use Collections (D-COL) to research borrower balances. Use Accounting (D-ACC) to track collections made by Department of Justice
Collections Initiative	➢ Use Accounting (D-ACC) to track progress of funds collected through collections agencies, and offset programs ➢ Use Collections Agency Reporting (D-CAR) to work with Private Collections Agencies ➢ Use Skip Tracing (D-SKP) to track down borrowers ➢ Use Treasury Offset (D-IRS) to collect on loans through Treasury
Wage Garnishment	➢ Use Administrative Wage Garnishment (D-AWG) Subsystem to track and process garnishments
Program Management Branch	➢ Rely on Accounting (D-ACC) and Reporting and Control (D-MGT) to monitor Collections operations

Current DMCS Interaction with External Business Groups

External Group or Business Area	Current Interaction with DMCS
Guaranty Agencies	➢ Guaranty Agencies assign defaulted loans to Collections. Collections also initiates skip traces and Federal offset for Guaranty Agencies-owned loans.
State Agencies (e.g., Labor Department)	➢ Provide borrower address and employer matching for Administrative Wage Garnishment
Educational Credit Management Corporation (ECMC)	➢ Collections assigns accounts of bankrupt borrowers to ECMC for recovery
Lenders	➢ Collections currently provides pre-claims mailing services, including USPS address correction on behalf of lenders
Schools	➢ Request skip tracing through Collections for their own Perkins Loan collections efforts
NSLDS	➢ Provides information to Collections for use with Federal Employee Salary Offset Program
FDSL Servicers (Direct Loan Servicing System)	➢ Transmit defaulted FDSL account and cohort information to Collections ➢ Provide adjusted gross income (AGI) information to Collections upon request to support Income Contingent Repayment
National Credit Bureaus	➢ Receive borrower credit updates from Collections
Private Collections Agencies	➢ Provide collection services for Collections accounts
Internal Revenue Service	➢ Currently provides skip tracing services for Collections. It also receives tax-related accounting information from Collections
US Treasury	➢ Provides Treasury Offset services for Collections
Department of Justice	➢ Transmits information regarding funds collected through litigation
Department of Defense	➢ Provides borrower name and address matching information for Federal Employee Salary Offset Program
Department of Housing and Urban Development	➢ Provides borrower matching information
US Postal Service	➢ Provides name and address matching and correction (skip tracing) services
Department of Health and Human Services (HHS)	➢ Provides matching information against National Directory of New Hires for collections ➢ Provides matching information against NDNH for Guaranty Agencies (to be phased in 4/2001 through 7/2001)
Department of Education (ED)	➢ Receives balance, payment and inventory management information

Current DMCS Interaction with External Systems

External System or Owner	How it interacts with DMCS	Interface Type/Medium	Frequency
Guaranty Agencies Systems	➢ Transmit new debts for New Debts Subsystem	Tape, Diskette	Daily
	➢ Receive confirmations, denials and errors from New Debts Subsystem	Tape	Daily
	➢ Transmit skip trace requests to Collections	Tape	Bi-weekly
	➢ Receive completed IRS skip traces from Collections	Tape	Bi-weekly
	➢ Transmit pre-offset requests to Collections	Tape	On Request (usually Semi-Annually)
	➢ Transmit payment updates for Treasury Offset	Tape	Weekly
	➢ Receive Treasury Offset collection information from Collections	Tape	Weekly
	➢ Receive Treasury Offset account information for records that cannot be processed	Tape	Weekly
	➢ Receive Treasury Offset certification no-match information	Tape	Weekly
State Agencies Systems (State Department of Labor)	➢ Transmit matched accounts information for Administrative Wage Garnishment	Tape	As needed
Educational Credit Management Corporation System	➢ Receive account transfers	Tape	As needed
Lenders Systems	➢ Transmit pre-claim request to Pre-Claims/Skip-Trace/Mailing Subsystem	Tape, Hard-copy, Diskette	On Request
	➢ Receive address corrections provided by USPS through Pre-Claims/Skip-Trace/Mailing Subsystem	Tape	On Request
Schools Systems	➢ Transmit skip trace requests to Collections	Tape	Monthly
	➢ Receive completed IRS skip traces from Collections	Tape	Monthly
NSLDS	➢ Transmits extract data to Collections for use in Federal Employee Salary Offset Program matching process	Tape	On Request
	➢ Receives defaulted borrower information from DMCS	EFT	Weekly
Direct Loan Servicing System	➢ Transmits defaulted FDSL account information and images (for D-DIR Subsystems)	EFT	Weekly
	➢ Transmits cohort data	Diskette	Weekly
	➢ Receive FDSL reject and error records	EFT	Weekly
	➢ Receives adjusted gross income (AGI) requests from Collections for Income Contingent Repayment	EFT	Annual
	➢ Returns AGI information to Collections for Income Contingent Repayment	EFT	Monthly
Private Collections Agencies Systems	➢ Receive and return account and financial transaction information	Tape or EFT	- Transfer 3-4 times per year - Report, recall and return daily and weekly
Credit Bureau Systems	➢ Receive credit information and updates	Tape	Monthly

External System or Owner	How it interacts with DMCS	Interface Type/Medium	Frequency
Treasury System	➢ Processes electronic direct debit payments	EFT, using Connect-Direct on CPS	Daily
	➢ Receives pre-offset requests from Collections	Tape	Semi-Annual
	➢ Receives payment updates (Treasury Offset)	Tape	Weekly
	➢ Returns Treasury Offset collections tape (for Collections and GA)	Tape	Weekly
	➢ Returns unprocessed Treasury Offset updates	Tape	Weekly
	➢ Receives Certification Agency addresses	Tape	On Request
	➢ Receives Treasury Offset certifications	Tape	Annual
	➢ Transmits Treasury offset information to Collections	Tape	Annual
	➢ Transmits Treasury offset no-match information (for Collections and GA) to Collections	Tape	Annual
Internal Revenue Service System	➢ Receives skip trace requests from Collections on behalf of schools and Guaranty Agencies	Tape	Monthly
	➢ Returns completed skip trace information to Collections through SKP Subsystem	Tape	Monthly
	➢ DMCS Accounting transmits 1099 information	Tape	Annual
Department of Justice	➢ Transmits record of collections (SF-1081) transactions to DMCS Accounting Subsystem	Diskette	As needed
Department of Defense System	➢ Receives defaulters information from Federal Employee Salary Offset Program Subsystem	Tape	Annual
	➢ Returns matches and rejects to Federal Employee Salary Offset Program Subsystem	Tape	Annual
	➢ Receives FESOP certifications	Tape	Quarterly
US Postal Service System	➢ Receives defaulters information for Federal Employee Salary Offset Program Subsystem	Tape	Annual
	➢ Returns FESOP matches and rejects	Tape	Annual
	➢ Receives FESOP certifications	Tape	Annual
	➢ Transmits address corrections for Pre-Claims/Skip-Trace/Mailing	Tape	As Needed
HHS National Database of New Hires (NDNH)	➢ Receives DMCS borrower data	Tape	Quarterly
	➢ Returns borrower matches from NDNH	Tape	Quarterly
	➢ Receives borrower data for Guaranty Agencies	Tape	Quarterly
	➢ Returns Guaranty Agency borrower matches from NDNH	Tape	Quarterly
Department of Education Systems	➢ Receives loan re-payment information from Reporting and Control Subsystem	PC File	Daily
	➢ Receives Treasury payment information from Reporting and Control Subsystem	PC File	Weekly
	➢ Receives account balance information from Reporting and Control Subsystem	PC File	Monthly

Appendix E – Collections Best Practices and Industry Trend

Collections Best Practices and Industry Trend

- **Optimize use of collection agencies**
  Use of collection agencies is very common in the banking and credit card industry. These agencies often specialize in collection of certain types of accounts or in certain stages of default. "Scoring" these agencies to better identify which agencies are most effective on which type of accounts. Optimize use of collection agencies minimize costs and maximize recoveries.

- **Predictive modeling on defaulted borrower's likelihood to re-enter repayment agreement**
  Use the intelligence gathered in collections, such as recorded phone conversations and notepad information to predict the defaulted borrower's likelihood to repay, and deploy different collection strategies to several types of defaulted borrowers.

- **Performance-based culture**
  Strong top management that ensures a performance-based culture, includes coherent strategy, strong will to manage, performance culture and meaningful MIS to support the performance evaluation.

- **Lower costs**
  Utilize advanced technology to eliminate manual processing steps. Select technology to enable lean, efficient and automated processes and achieve lower costs.

- **Relationship building**
  Help the borrowers through a short-term setback will win the borrower for life and increase collection. Curing an account through customer facing strategy is high on priority list.

- **Centralized system**
  A centralized system allows for data access across multiple accounts for individual customers; therefore, taking a customer rather than product focus or "different-stage-of-the-life-of-a-loan" focus. For example, a loan origination system will flash an alert when a defaulted borrower tries to borrow again, since the loan origination system and collections system are "connected."

- **Highly automated system**
  Most major banks and specialty lenders have highly automated collection systems. These high volume banks and lenders search for scaled efficiencies against smaller dollar value per loan through process automation.

- **Improve productivity through strategic use of technology**
  Collections are labor intensive. Technology enables streamlined process and improves productivity.

- **Large IT Investment in collections system**
  Growing rate of charge-offs forces banks and credit card companies to devote larger and larger portions of their IT investment to collections. This reallocation is in the form of systems that more effectively classify and route defaulted accounts to the proper collection agencies for the proper treatment. The Tower Group estimates that systems investments in collections will outpace by more than half the total investment in other aspects of credit card issuing. In 1994 US banks spent about $470 million annually on collections and recovery technology.

- **PCA Selection and Management**
  - ➢ Part-time staff impacts collections performance negatively.
  - ➢ Extended hours impacts collections performance positively.
  - ➢ Incentive payments to the collectors impacts collections performance positively.
  - ➢ More frequency incentive payments to the collectors impacts collections performance positively – monthly, quarterly vs. annually.
  - ➢ Auto-dialer technology impacts collections performance positively.

➢ Behavioral Scoring impacts collections performance positively.

Why will new technology generate financial benefits?
➢ New technology enables speedy execution of business strategies.
➢ New technology transforms current data reporting to informational reporting.
➢ New technology provides decision-making insight to the management.

What potential business strategies are enabled by the implementation of new technology?
➢ Flexible and adaptive collection strategies based upon repayment-predictive model, advanced decision-making engines and rules.
➢ Champion/challenger decision testing to optimize collection and recovery effectiveness.
➢ Establishment of holistic customer relationship view towards collections across multiple loans and loan types.
➢ Develop specialized collection strategies by portfolio segments.
➢ Active measurement and management of collection vendors.
➢ Active measurement of Collections' overall financial performance.
➢ Automation of non-value -added tasks.
➢ Enhanced collection assignment workflow.
➢ Management controls over parameter settings for different repayment options such as income contingent repayment plan, loan rehabilitation and loan consolidation.
➢ Enhanced delinquent/default prevention campaign.
  Current plan is conducted through direct mail effort. This strategy allows the SFA to focus on the borrowers who had income during the prior year and are likely to have income during the current year. Borrowers are more likely to enter into a repayment plan than to face involuntary collection activities.

Applicable Collections Technology Enabler
➢ Implementation of next generation collection and recovery management system applications.
➢ Build flexibility/scalability into system architecture.
➢ Integrate collections/recovery applications into existing loan origination and loan servicing system.

Appendix F – COTS GAP Analysis and COTS Information

GAP Analysis

This high level GAP analysis used information provided by the software vendor as of May 15, 2001. An in-depth analysis to map out detailed business requirements and the top choice software should be conducted. In addition, the vendors should provide systems demo to showcase their capabilities.

Core Business Processes vs. System Capabilities Matrix									
Core Business Processes Requirements	AMS	London Bridge	TSYS	PaySys	Towne	BillMatix	BFrame	Ontario	Fair, Isaac
Load New Debts	●	●	●	●	●	○	●	●	●
Produce Letters	●	●	○	●	●	○	●	●	●
Process Billing	●	●	○	●	◗	●	◗	◗	●
Process Payments	●	●	○	●	◗	●	●	◗	●
Manage Accounting	●	●	○	●	◗	○	◗	◗	●
Manage Financial Reporting	●	●	○	●	◗	○	◗	◗	●
Assign Accounts to PCAs	●	●	●	●	◗	○	●	○	●
Manage Collection Agencies	●	●	●	●	◗	○	●	○	●
Monitor Collection Activities	●	●	●	●	◗	○	●	○	●
Conduct Skip Tracing	●	●	●	●	●	○	●	◗	●
Report to Credit Bureau	●	●	○	●	●	○	●	●	●

Legend:　　● Supports business process, ◗ Partially supports business process & requires customization ○ Does not support business process

Core Business Functions vs. System Capabilities Matrix									
Core Business Functions Requirements	AMS	London Bridge	TSYS	PaySys	Towne	BillMatix	BFrame	Ontario	Fair, Isaac
Loan Servicing	◗	◗	◗	●	○	○	◗	○	●
Hearing	◗	●	○	●	◗	○	●	○	●
Litigation	◗	●	●	◗	●	○	●	●	●
Administrative Wage Garnishment	○	○	○	○	○	○	○	○	○
Treasury Offset Program	○	○	○	○	○	○	○	○	○
Federal Employee Salary Offset Program	○	○	○	○	○	○	○	○	○
Collections Campaigns	●	●	●	●	○	○	○	○	●
Oversight of GA collections	○	○	○	○	○	○	○	○	○
Oversight of bankruptcy discharges	●	●	●	●	◗	○	○	○	●
Loan Rehabilitation	●	●	●	●	●	●	●	●	●
Loan Consolidation	●	●	●	●	●	●	●	●	●
Forgive / Write-off	●	●	◗	●	●	○	●	●	●

Legend: ● Supports business process, ◗ Partially supports business process, ○ Does not support business process

New Business Functions vs. System Capabilities Matrix									
New Business Functions Requirements	AMS	London Bridge	TSYS	PaySys	Towne	BillMatix	BFrame	Ontario	Fair, Isaac
Management Decision Tools	●	●	●	●	●	○	●	◗	●
Flexible ad-hoc Reporting	●	●	●	●	●	●	●	◗	●
Intelligent Collections Agency Assignment	●	●	●	●	○	○	○	○	●
Automated Workflow	●	●	●	●	●	●	○	◗	●
Repayment Predictive Model	●	●	○	○	◗	○	○	○	●
Interactive Customer Service	●	●	○	●	◗	●	○	○	●
Automated Collections Agency Performance Monitoring System	●	●	●	●	◗	○	◗	○	●

Legend: ● Supports business process, ◗ Partially supports business process, ○ Does not support business process

Technical Requirements vs. System Capabilities Matrix									
Technical Requirements	AMS	London Bridge	TSYS	PaySys	Towne	BillMatix	BFrame	Ontario	Fair, Isaac
Client/Server Platform	●	●	●	●	●	●	◗	○	◗
Electronic Data Transfer	●	●	●	●	●	●	○	○	●
Middleware Data Transfer	●	●	○	●	◗	●	○	○	●
Web Interface Capability	●	●	●	◗	◗	●	○	○	◗
High Volume Database	●	●	●	●	○	●	◗	○	●
High Volume Transaction	●	●	●	●	○	●	◗	○	●
Highly Secured Environment	●	●	●	●	●	●	●	●	●
Complex Access Right	●	●	●	●	●	●	●	◗	●
Interface with predictive/power dialing system	●	●	○	●	●	○	●	○	●
Disaster Recovery Standard	●	●	●	●	●	●	◗	◗	●
Historical Data Storage	●	●	◗	●	○	◗	●	◗	●

Legend: ● Supports business process, ◗ Partially supports business process, ○ Does not support business process

Scoring Algorithm:
For each "●" received, the corresponding product scores 2 points, and "◗" scores 1 point, and "○" scores 0 point.

Scoring Result									
Product	AMS	London Bridge	TSYS	PaySys	Towne	BillMatix	BFrame	IOntario	Fair, Isaac
Total Score	71	73	49	70	48	33	47	27	72

Product Name	1. Computer Assisted Collection Systems (CACS Enterprise)
	2. Strata Enterprise

Company　　　　American Management Systems (AMS)

Company
Background　　AMS is one of the 20 largest international business and information technology firms in the world. The 8000 employee company, headquartered in Fairfax, VA, was founded in 1970 and currently operates 57 offices around the world. The company estimates that 1999 revenues should total approximately US$1.25 billion. AMS focuses on "Next-Generation Enterprise" management and technology solutions.

Features　　　**CACS Enterprise**
1. Host-based system, built for large organizations and high volumes
2. Customizable, packaged solution
3. Interfaces to AMS' CACS Anywhere
   - CACS Anywhere allows other internal departments to access CACS Enterprise information via a Java-based, Intranet-enabled GUI
   - CACS Anywhere allows third parties and outside agencies to access CACS Enterprise Information via a Java-based, Extranet-enabled GUI
4. Efficiently accommodates interfaces to other systems
5. Easily integrates with AMS' Strata Enterprise decision engine
6. Incorporates the use of automated collections, workflow, predictive dialers, behavior scoring treatments and risk-based (vs. age-based) collections

Strata Enterprise
1. Customer-based decisioning platform that allows for the creation, execution and measurement of results for various customer decision strategies
2. Allows companies to pre-assess customers across multiple dimensions, such as credit risk, likelihood to purchase, and retention probability
3. Supports both strategy determination and assessment simultaneously at both the account and customer level
4. Handles either batch or on-line processing

Platforms　　　Flexible and portable architecture supporting MVS, NT or Unix platform

User Reference　Bank of America, Hong Kong & Shanghai Banking Corporation (HSBC), Allied Irish Bank

Remarks:　　　Website: www.amsinc.com/cfs/CACS.htm   www.amsinc.com/cfs/Strata.htm

Please note that AMS was initially reviewed because of its product features. However, a recent finding discovered that the Federal Retirement Thrift Investment Board filed a $350 million lawsuit against AMS in July 2001 for not delivering systems on time and on budget. It is recommended that AMS will not be further considered.

Product Name	Debt Manager, Recovery Management System
Company	London Bridge
Company Background	London Bridge is a technology solution provider, specializing in credit, collections and recovery systems with a customer relationship focus. The company was founded in 1987 and has grown to service over 350 clients around the world. London Bridge is headquartered in the U.K., but has offices around Europe as well as in Asia and North America. In 1988 the company recorded revenue of US 35.8 million.

Features

Debt Manager
1. Integrated solution covering Collections, Debt Recovery and Litigation
2. Manages risk at the account, division and/or customer level - automatic cross-referencing
3. Interfaces with Telephony, as well as Host and other Third Party applications
4. Operationally proven to handle very large volumes
5. Flexible and definable data structure and processes
6. Supports champion/challenger strategy management
7. Supports full Activity Based Costing, using bad debt performance and cost of collection
8. Allows for batch, on-line or ad-hoc reporting

Recovery Management System
1. Comprehensive debt recovery software solution
2. Interfaces to Predictive Dialer Systems
3. Allows for account selection
4. Accounts are distributed to internal collectors, outside agencies, attorneys quickly
5. Provides automatic generation of forms, letters and statements

Platforms	AS/400, IBM DB2 mainframe, UNIX and client-server platforms
User Reference	Debt Manager: Ford Motor Credit, First National Bank, NatWest Bank Recovery Management System: Department of Justice, Bank of America, Citicorp, AT&T
Cost	TBD
Remarks	Website: www.london-bridge.com/collections/collectframe.htm

Product Name	VUPoint – Collection Agency Performance Tracking System National Attorney Network (NAN) – Legal Account Management System Teleskip – Skip Tracing
Company	Total Systems Services (TSYS)
Company Background	Total Debt Management, formerly known as Wallace & deMayo, is wholly owned by Synovus Financial Corp. and is managed by Total System Services, Inc.
Features	Application Service Provider, Data Center located in GA Strength: Recovery Service Outsource, Collection Agency Management, Bankruptcy Processing, National Attorney Network Limitations: Requires development in Payment, Billing and Borrower Correspondence.
Platforms	NT Client Server, Informix Universe Database, Universe Basic Programming language, Active Server Pagers, Web User Interface
User Reference	Citibank card service and GE Capital private label card services
Cost	TBD
Remarks	Contacts: Systems Manager - Bill Sawyers Marketing - John Tonetti Website: www.totalsystem.com

Product Name	Collection, Tracking and Analysis System (CTA) – a module of VisionPLUS
Company	PaySys International
Company Background	Paysys International has provided credit card management solutions since its inception in 1981. The company, which employs over 400 people is headquartered in Atlanta, GA and maintains five other locations within and outside the US.
Features	1. Collection Agency Tracking Subsystem manages the assignment of accounts to outside agencies 2. Allows user-defined categories of accounts, action codes, etc. 3. Provides on-line, real-time productivity monitoring 4. Extensive on-line reporting capabilities 5. Can be interfaced to VisionPLUS' other credit servicing components, or implemented as a standalone module interfaced to legacy systems
Platforms	Mainframe, AS/400, UNIX, other
User Reference	Bell Atlantic, MBNA, Baltimore Gas & Electric, Household International
Cost	TBD
Remarks	Website: www.paysys.com

Product Name	Collection Works
Company	Towne Services
Company Background	Towne Services, Inc. is a collection management software provider headquartered in Norcross, GA. The company, established in 1995, employs over 150 individuals and serves customers in the US and Asia. Revenues for the first three quarters of 1999 exceeded US$22 million, nearly doubling those from the same period in 1998. Tailored to small-to-medium-sized collection departments and agencies.
Features	1. defaulted borrower account management 2. Document management system 3. Automated integrated dialing system 4. Utilizes Crystal Reports generating and reporting system 5. Utilizes stable bTrieve/ODBC database backbone
Platforms	Windows-based and designed to run on Windows NT or Novell
User Reference	Various US and international banks and collection agencies
Cost	TBD
Remarks	Website: www.scwi.com

Product Name	BillMatrix – Internet and Telephony Bill Payment B2B
Company	BillMatrix Corporation
Company Background	BillMatrix Corporation is a state-of-the-art electronic payment processor, proven since 1994. The company is located in Dallas, Texas.

Features

- BillMatrix is a state-of-the-art electronic payment processor.
- This streamlined, universal bill payment system utilizes existing authorization networks.
- Customers pay their bills using multiple payment types: the Internet or telephone with a credit, debit, ATM card or electronic check.
- The automated system asks the questions and customers enter the answers.
- Accelerate the accounts receivable cycle

Strength:
- Quick implementation, Typically 6 to 8 weeks.
- No implementation cost
- No additional equipment is required
- Provide customization for free
- Provide customer service for free
- Provide additional flexible payment method to the borrower 24x7x365

Limitations:
- Credit Card companies might have an issue with old debts since the old debts will be transferred to the credit card if the borrowers choose credit card payment method.
- Promotion on internet payment is required.

Platforms   Internet and Telephony Bill Payment B2B

User Reference
- Utilities Industry: TXU Electric and Gas, Potomac Edison, Air Borne Express, AT&T Wireless, Verizon Wireless, Baltimore Gas, Virginia Power
- Student Loan Industry: Student Loan Financial Corporation. SLFC.com payment website was in production since October 2000

Cost
- No implementation cost to Collections. Services include customized payment website which links to Collections exiting web site, programming work, testing, IVR in both English and Spanish, Training manual, communication with the COLLECTIONS billing system and free 800 number.
- Borrowers pay a fee by a flat rate or by percentage to the payment amount. Details can be negotiated. Borrowers are willing to pay the fee in order to avoid a higher cost in late fee charge, Western Union or money order.

Remarks
- Contact: Jerry Kreitman (Account Manager)
- Website: www.billmatrix.com

Product Name	BFrame 2000
Company	BFrame Data Systems
Company Background	BFrame is a provider of automated collection and recovery management systems, and is headquartered in Alpharetta, GA. The firm was founded in 1991.
Features	- Fully scaleable system designed to run on Windows NT - Made-up of separate software modules allowing for increased customization - Transaction-oriented system designed for high volume activity - Interfaces with any dialer system; expandable to accept custom interfaces - Prioritizes collectible accounts so the most collectible are worked first Strength: - Support multi-location capabilities - Collection Agency Performance Monitoring - Account Master File allows access more than 15 million accounts - Existing interface capability with DMCS. Limitations: - System is designed for small-scale collection agencies.
Platforms	Hybrid Client/Server Mainframe Platform NT Server, COBOL Programming language, Micro Focus compiler Clients use Terminal Emulation, Commandline Interface Report Writer
User Reference	Progressive Financial Services, National Asset Management, Financial Asset Management
Cost	TBD
Remarks	- Contact: Bob Bentz (Owner) at 1-800-778-5151 Tracey Long (Systems Manager) - Website: www.bframe.com

Product Name	FACS – Flexible Automated Collection System
Company	Ontario Systems
Company Background	Ontario Systems Corporation was founded in 1978 and is a wholly owned subsidiary of Ontario Corporation. The holding company has annual sales of over US$100 million, and has over 600 employees. The private company is headquartered in Muncie, Indiana. OSC had sales for fiscal year 1997-1998 of approximately US$32 million while employing over 270 individuals. OSC is a technology leader in the receivable management industry for 20 years. Limitations: System is designed for small-scale collection agencies.
Features	Collections/Recovery Management System
Platforms	Client Server
User Reference	NCO Financial
Cost	TBD
Remarks	Website: www.ontariosystems.com

Product Name	Triad Adaptive Control System
Company	Fair, Isaac & Company
Company Background	Fair, Isaac & Company provides decision-making solutions to businesses in a variety of industries throughout the world. The company, which was founded in 1956, is headquartered in San Rafael, CA, and employs 1600 people in 20 offices worldwide. Fair, Isaac pioneered the use of credit scoring for risk management in the 1960s. Fair, Isaac's 1999 revenues topped US$276 million.
Features	- Designed for the IBM mainframe environment - Modular architecture allows clients to build a custom solution with modules such as Credit Line Management, Delinquent Collections, Overlimit Collections, and others - Combines behavior scoring, adaptive control software and strategy consulting - Enables champion/challenger testing of multiple strategies - Utilizes a "strategy tree" which allows business users to create and change strategies easily in a Windows PC build environment - Able to exist side-by-side with, and interact with, loan servicing and collections platforms
Platforms	Hybrid Mainframe/PC environment
User Reference	Capital bank (U.K.), Barclays Bank (U.K.), American General Finance
Cost	TBD
Remarks	- Website: www.fairisaac.com

Product Name	Capstone – Decision Manager, Model Manager, and Strategy Manager
Company	HNC Software
Company Background	HNC Software is a public company that was founded in 1986. The company, which provides predictive software solutions, has its headquarters in San Diego, CA, and it employs 700 individuals. In 1999, the company generated revenues of US$217 million, which represents a 21% increase over revenues in 1998.

Features

Decision Manager
- A highly configurable decision platform utilizing HNC's rule language
- Involves an interactive and iterative decisioning mode
- Supports complex decision flow management
- Supports high volume/high throughput processing
- Supports numerous 3rd party vendor and complementary product interfaces
- Decision Manger performs multi-step processing, data aggregation, dynamic variable generation, and automated decision processing

Model Manager
- Runs on Unix platform and integrates with Decision Manager and Strategy Manager
- Can be implemented in a standalone environment on either Unix or Windows using TCP/IP, SNA, MQ-Series or Batch inputs
- Integrates model development and deployment – does not require re-coding of score models when migrating to production environment
- Supports different score model types – linear and logistic regression, score cards, neural networks
- Manages interpretation of complex data
- High speed scoring
- Target user: technical modeler

Strategy Manager
- Provides companies with dynamic control over their customer relationship strategies
- High volume/throughput capabilities
- Customer profiles are updated with each transaction
- Can be used for batch or on-line processing
- Allows for champion/challenger strategy development and deployment
- Supports numerous 3rd party vendor and complementary product interfaces
- Target user: business analyst

Platforms	UNIX or Windows NT platform with Oracle database
User Reference	First Union National Bank, Bank of America Mortgage, Mellon Bank
Cost	TBD
Remarks	Website: www.hnc.com

Appendix G - Detailed Benefit Analysis

Detailed Benefit Analysis

Internal Business Areas:

Collections business areas will benefit from:
- User-friendly Graphic User Interfaces – all business areas
- State-of-the-art collection tools and skip tracing capabilities -Collections Initiative
- Enhanced tools to track and improve collections agency performance - Collections Initiative, Management Service
- Enhanced analytical and decision reporting tools – Collections Initiative, Management Services
- Potential for implementation of electronic billing and electronic payment – Loan Servicing Branch
- Flexibility in creation, modification, customization of letters and documents - SLPC, NPC, Loan Servicing Branch
- Enhanced transfer of information from external sources - all business areas
- Adaptability to new business needs or improved business processes - all business areas
- Ability to easily deploy DMCS capabilities to new locations through web access - Contract Services

External Business Areas:

The replacement of DMCS will result in more effective information sharing with Collections' partners.

- Guaranty agencies and schools will benefit from the enhanced data transfer capabilities of the new system when receiving services from Collections for skip tracing.
- Private collections agencies may find their collections improved from the intelligent assignment of accounts by the new system.
- All external entities currently send and/or receive information via tapes will be able to adopt middleware technology or Electronic File Transfer, and will result in faster, reliable, and less labor intensive information sharing with Collections. This will create opportunities for more frequent information sharing, enhancing Collections and its partners' ability to collect debts.
- Those external entities that access DMCS directly, such as collections agencies, will be able to do so without having to invest in the network infrastructure. Web access or client-server remote access will enable the user access at minimum cost. They will also benefit from the enhanced usability of the new system and its graphical user interfaces

External Systems:

The benefits are:
- After implementation, Collections can work with external systems' owners to streamline data transfers. Those external systems that can send and/or receive information via middleware or EFT in lieu of tapes will benefit from faster, more reliable, less labor-intensive data flows, as will DMCS. This will open up the opportunity to transfer information on a more frequent basis, enhancing Collections and its partners' ability to collect debts more effectively.

Business Processes:

The benefits are:

Business Core Process	Specific Benefits for Business Process
Load New Debts	➢ Automated technologies, such as elimination of tapes through middleware or EFT will make this critical process more effective
Manage Letters	➢ Flexibility to create, customize and produce letters/ documents will improve this business process

Business Core Process	Specific Benefits for Business Process
Manage Billing	➤ Potential to improve process through implementation of more streamlined billing processes
Process Payments	➤ Potential to improve process through implementation of electronic payment – acceptance of credit cards, debit cards, electronic checks or other payment methods
Accounting and Financial Management	➤ End-user reporting tools will streamline management reporting and make all processes more effective
Monitor and Manage Collection Agencies	➤ Enhanced data links with PCAs and streamlined processing (elimination of tapes) enables earlier, more frequent initiation of collection and more effective transfer of accounts to optimal agency based on nature of account ➤ Intelligent collections management software enable innovations in collection strategies (such as "champion/ challenger") and lead to improved effectiveness of using collections agencies
Manage Collection Activities	➤ New collections management software enables Collections management to implement creative and effective collection strategies
Conduct Various Skip Tracing	➤ Applications proposed have enhanced skip tracing capabilities. Data links with Treasury will allow for earlier, more frequent skip tracing, leading to more effective collections
Report to Credit Bureau	➤ Collections and reporting process can run more frequently and link seamlessly with credit bureaus, resulting in earlier initiation of collection activity and increased borrower awareness of credit rating impact
Utilize Federal Collection Tools	➤ Data links with IRS, DoD, USPS and HHS and streamlined processing (elimination of tapes) enables earlier, more frequent initiation of Federal collection processes and improves prospects for collection
Enable Rehabilitation, Consolidation and Income Contingent Repayment Plan	➤ Enhanced reporting and analytical capabilities make the process of tracking rehabilitation eligibility and efforts more effective. Predictive tools can help determine a borrower's likelihood to pay and suggest an optimal rehabilitation approach

Appendix H-Baseline Systems Cost

Production Maintenance and Support	Total Cost	Financial Partners Allocation	Students Channel Allocation
FEDERAL DIRECT STUDENT LOANS	$30,260.93		$30,260.93
ACCOUNTING	$26,540.16		$26,540.16
ADMINISTRATIVE WAGE GARNISHMENT	$466,970.31		$466,970.31
BILLING	$6,684.01		$6,684.01
COLLECTION AGENCY REPORTING	$23,576.84		$23,576.84
CREDIT BUREAU REPORTING	$630.24		$630.24
COLLECTIONS	$61,129.25		$61,129.25
FEDERAL EMPLOYEE SALARY OFFSET PROGRAM	$352.43		$352.43
DATA MANIPULATION - FILE MAINTENANCE	$492.83		$492.83
RESEARCH AND COLLECTIONS - HELP	$47.18		$47.18
INCOME CONTINGENT REPAYMENT PLAN	$4,771.07		$4,771.07
IRS OFFSET	$7,537.44		$7,537.44
LETTERS	$193,037.16		$193,037.16
REPORTING AND CONTROL	$9,624.30	$962.43	$8,661.87
NEW DEBTS	$1,294,312.34	$258,862.47	$1,035,449.87
NATIONAL PAYMENT CENTER	$1,646,449.83	$329,289.97	$1,317,159.86
PRE-CLAIMS/SKIP TRACING/MAILING	$39,858.70	$3,985.87	$35,872.83
RESEARCH	$1,865.68	$373.14	$1,492.54
REHABILITATED LOANS	$4,495.39		$4,495.39
IRS SKIP TRACE	$134,120.39	$26,824.08	$107,296.31
VOICE RESPONSE UNIT	$14.71		$14.71
GA FUNDS	$29,781.94	$29,781.94	$0.00
GA QUARTERLY REPORT	$14,055.24	$14,055.24	$0.00
FEDERAL CLAIMS AND LOAN ASSIGNMENTS	$189,612.23	$170,651.01	$18,961.22
INTEREST PAYMENTS	$256,837.86	$256,837.86	$0.00
SCHOOL AND LENDER	$232.01	$232.01	$0.00
ARCHIVE AND RESTORE	$71.55	$14.31	$57.24
CREDIT REFORM	$104.24	$93.82	$10.42
FINANCIAL INFORMATION SUBSYSTEM	$848.78	$763.90	$84.88
FUNDING	$601.61	$601.61	$0.00
INVOICING	$1,889.29	$925.75	$963.54
NDSL/GSL MANAGEMENT OPERATIONS REPORT	$4,101.74	$1,640.70	$2,461.04
NSLDS INTERFACE SUBSYSTEM	$629.82	$251.93	$377.89
PRODUCTION SCHEDULING AND REPORTING	$28.17	$11.27	$16.90
QUALITY CONTROL	$78.07	$39.04	$39.04
SUBLEDGER SUBSYSTEM	$110,201.64	$99,181.48	$11,020.16
SUPPORT SERVICES	$1,938,988.13	$1,745,089.32	$193,898.81
UTILITY	$1,486,243.78	$743,121.89	$743,121.89
WAREHOUSE MANAGEMENT INFORMATION SUBSYSTEM	$14,006.66	$5,602.66	$8,404.00
WAREHOUSE INVENTORY REPORTING SUBSYSTEM	$955,030.89	$382,012.36	$573,018.53
Total	**$8,956,115**	**$4,071,206**	**$4,884,909**

Production Miscellaneous	Total Cost	Financial Partners Allocation	Students Channel Allocation
Central Processing Time (CPU Seconds)	$14,379.59	$7,189.80	$7,189.80
Disk Storage	$103.06	$51.53	$51.53
Line Printing	$41.43	$20.72	$20.72
Photocopying	$2,281.58	$1,140.79	$1,140.79
Storage Retrieval (Documents)	$759.24	$607.39	$151.85
TONER CARTRIDGE(MICROFICHE-92291A)	$1,376.64	$1,376.64	
TONER CARTRIDGE(LASER JET II-92295A)	$1,289.60	$1,289.60	
9X12 Envelopes	$1,862.21	$931.10	$931.10
File Folders	$19,554.03	$9,777.02	$9,777.02
Airborne Express	$70,973.19	$35,486.60	$35,486.60
Consolidated Freightways	$679.45		$679.45
Emery Worldwide	$114.53	$57.27	$57.27
Federal Express	$943.57	$471.79	$471.79
UPS	$7,567.08	$3,783.54	$3,783.54
Yellow Freight	$962.32	$481.16	$481.16
Labels	$1,609.44	$804.72	$804.72
Fax Bulletins	$1,040.15	$208.03	$832.12
Total	**$125,537**	**$63,678**	**$61,859**

System Development	Total Cost	Financial Partners Allocation	Students Channel Allocation
TO12 Direct Loan Performance Impact			
TO 15 FDSL Interface			
TO 21 Work Orders	$170,337.00	$59,617.95	$110,719.05
TO 34 Post Backlog of Suspense/Sub ledger	$261,884.00	$261,884.00	$0.00
TO 40 Various Interest Rates	$10,981.00		$10,981.00
TO42 Administrative Wage Garnishment	$11,922.00		$11,922.00
TO 43 Federal Offset Enhancements	$500.00		$500.00
TO 62 Y2K Contingency Operations	$944.00	$330.40	$613.60
TO63 Interest Payment Falcon/Bath	$41,038.00	$41,038.00	$0.00
TO 64 Electronic Direct Debit Payment	$1,119,517.00	$0.00	$1,119,517.00
TO 65 Debt Collection Regional System	$487,700.00	$0.00	$487,700.00
TO 66 AWG Enhancement to 15 Percent	$500,170.00	$0.00	$500,170.00
TO 67 Income Contingent Repayment Program	$23,184.00	$0.00	$23,184.00
TO 68 ED Form 799 Special Allowance Code Change	$117,376.00	$117,376.00	$0.00
TO 69 Collection Agency Support Enhancements	$103,516.00	$0.00	$103,516.00
TO 70 Notepad Records Reduction	$93,260.00	$0.00	$93,260.00
TO 71 Guaranty Agency Collateral by Tape	$98,461.00	$34,461.35	$63,999.65
TO 72 Interface with National Directory of New Hire	$89,350.00		$89,350.00
Total	**$3,130,140**	**$514,708**	**$2,615,432**

VDC	Total Cost	Financial Partners Allocation	Students Channel Allocation
Mainframe Data Center Service	$4,477,162	$2,238,581	$2,238,581

	Total Cost	Financial Partners Allocation	Students Channel Allocation
Grand Total	**$16,688,954**	**$6,888,172**	**$9,800,782**